Platinum
ASSET MANAGEMENT

Platinum Investment Bond™ - Platinum Asia Fund

APIR Code: LIF7284AU

Quarterly Investment Manager's Report

31 December 2021

Platinum
ASSET MANAGEMENT

Investment Update

Platinum Investment Bond - Platinum Asia Fund (PIBPAF)

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Performance

(compound p.a.+ to to 31 December 2021)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund*	-2.2%	-2.5%	14.0%	12.5%	14.0%
MSCI AC Asia ex J Index^	-1.9%	1.1%	10.9%	11.2%	10.0%

+ 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:

- Most major markets across the region were flat to down during the quarter, with Chinese-related stocks in particular continuing to decline, reflecting poor investor sentiment towards the country.
- Travel-exposed companies Trip.com and hotel chain Huazhu detracted from the Fund's performance, while Leader Harmonious Drive, the Chinese domestic champion in producing strain wave gears in robotics, provided strong performance, as did Longshine Technology.
- During the quarter, we purchased a small position in Estun Automation, a leader in industrial robotics, motion control and welding. The company is taking market share in growing markets, with automation becoming increasingly necessary as populations age and labour costs rise.
- We sold out of our position in CITIC. We also continued reducing our exposure to sportswear and fashion brand Li Ning and Anta Sports Products, following strong performance over the past few years.
- While the shorter-term economic picture is not entirely clear, opportunities still abound for the more entrepreneurial management teams across the region.
- We continue to believe the current valuations across much of Asia ex-Japan are undemanding and reasonably attractive for longer-term investors. xx

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 December 2021 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]

Most major markets across the region were flat to down during the quarter, with Chinese-related stocks in particular continuing to decline, reflecting poor investor sentiment towards the country.

Our semiconductor holdings **SK Hynix** (+27%), **Taiwan Semiconductor Manufacturing** (+6%) and **Samsung Electronics** (+6%) all provided a positive contribution to the Fund's performance during the quarter. Demand for their products remains strong across a broad range of end markets, while industry supply has been constrained for a range of reasons, including pandemic-related disruptions. Expectations are increasingly reflecting this tight supply/demand outlook across most advanced semiconductors and the share prices have been adjusting to reflect this.

Leader Harmonious Drive (+29%), a smaller position that was added to the portfolio in 2021, continues to execute well on their mission and are seeing those efforts rewarded by the market. Leader Harmonious Drive is the Chinese domestic champion in producing strain wave gears, a small but profitable niche component in the robotics industry. During the quarter, the business grew in excess of 100% and profitability was strong, exceeding market expectations.

Longshine Technology (+43%), another recent smaller addition to the portfolio, also had a good quarter. This company provides software for utilities, particularly billing software for electric utilities. Investors have increasingly recognised the bright outlook for improved billing systems, the adoption of which is a necessary step in China transitioning to market-based electricity pricing and helping with the increasingly tricky task of balancing loads in an intermittent supply world, arising from the greater use of renewable power sources. It appears there has also been growing market enthusiasm for Longshine's electric vehicle charging platform, although the reality is that this is likely to remain only a small part of their business over the near to medium term.

Turning to the weaker performers in the quarter, travel-exposed companies like hotel and flight booking portal **Trip.com** (-20%) and the hotel chain **Huazhu** (-19%), were impacted by the resurgence in COVID case numbers and subsequent lockdowns, leading to reduced growth expectations and lower share prices.

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 DEC 2021	30 SEP 2021	31 DEC 2020
China	45%	48%	45%
India	11%	10%	8%
South Korea	10%	9%	13%
Hong Kong	6%	7%	7%
Taiwan	6%	6%	7%
Vietnam	6%	5%	3%
Philippines	2%	2%	2%
Macao	1%	1%	1%
Singapore	1%	1%	1%
Thailand	0%	0%	2%
Cash	12%	11%	12%
Shorts	-1%	0%	0%

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

Net Sector Exposures of PAF

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Consumer Discretionary	18%	20%	21%
Information Technology	16%	14%	22%
Financials	14%	15%	15%
Industrials	13%	14%	6%
Real Estate	10%	10%	5%
Other	4%	4%	3%
Communication Services	4%	4%	7%
Materials	3%	4%	3%
Consumer Staples	3%	2%	2%
Health Care	1%	2%	1%
Energy	0%	0%	3%
TOTAL NET EXPOSURE	87%	89%	88%

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	5.5%
Samsung Electronics Co	South Korea	Info Technology	5.1%
Vietnam Ent Investments	Vietnam	Other	4.1%
Tencent Holdings Ltd	China	Comm Services	4.1%
InterGlobe Aviation Ltd	India	Industrials	3.7%
ZTO Express Cayman Inc	China	Industrials	3.5%
SK Hynix Inc	South Korea	Info Technology	3.4%
Ping An Insurance Group	China	Financials	3.4%
Weichai Power Co Ltd	China	Industrials	3.3%
Alibaba Group Holding	China	Cons Discretionary	2.9%

As at 31 December 2021. See note 4, page 11.
Source: Platinum Investment Management Limited.

Alibaba's share price also declined during the quarter (-16%). China's e-commerce landscape has been maturing, with the attendant lower growth rates, while competition has increased. Alibaba has had to adapt their business practices after a run-in with the regulator, and with this backdrop, in an attempt to re-accelerate growth, has decided to reduce the fees charged to merchants and invest in new growth avenues, hoping that by reducing profits in the short term they can strengthen their longer-term positioning. The market has focused on the certainty of lower near-term profits, over the as-yet uncertain potential longer-term gains, hence the resultant decline in the share price.

Electric vehicle battery manufacturer, **LG Chem** (-21%), also saw its share price decline during the quarter. They suffered manufacturing quality issues, leading to a product recall for the GM Bolt vehicle platform, as well as general industry headwinds arising from lower car production volumes due to semiconductor shortages, and cyclically lower margins in some of their chemical businesses. At this point, the manufacturing issues leading to that recall appear to be resolved and the recall has been fully provisioned for. Meanwhile, the battery business has been partially listed in the hope that will help highlight the value of those assets on a standalone basis.

Our short positions were fairly small during the quarter and their contribution to performance was negligible.

The Australian dollar (AUD) strengthened modestly during the quarter, presenting a slight headwind to AUD reported performance.

Changes to the Portfolio

During the quarter, we bought a small position in **Estun Automation**. This family-owned and run business has, through a series of small smart acquisitions, built themselves to be a leader in industrial robotics, motion control and welding. The company is taking market share in growing markets, with automation becoming increasingly necessary as populations age and labour costs rise, while they cement their competitive positioning through extensive vertical integration and a lower cost structure. While their robots are used in a broad range of end markets, solar cells and battery manufacturing are two examples of areas where they have particular strength. Estun has been on our radar for a while, but had been trading at levels we were unwilling to pay. Fortunately for us, however, a brief down-cycle in end market demand led to a sell-off in the shares, affording us the opportunity to establish a small position.

We sold out of our position in **CITIC**. Having booked a healthy gain in a relatively short space of time, and in light of some questions we had around certain financial exposures of the group, we felt it was an opportune time to sell. We also sold our remaining small position in the power semiconductor company, **StarPower Semiconductor**, following a strong share price run, taking it to a level we felt was an overly demanding valuation.

We continued reducing our exposure to sportswear and fashion brand **Li Ning**. This has been an extremely strong performer for the Fund over the past few years, having gone from a lesser-known domestic Chinese brand with an interesting brand heritage, to now being seen on fashion runways around the world and having become an investor favourite trading at a much richer multiple of far higher earnings than when we first purchased our shares. We also continued trimming our position in **Anta Sports Products**, another similarly strong performer over recent years, which has seen its shares re-rated dramatically and now prices in a considerably rosier future.

China Merchants Bank was another stock we reduced. The shares of this bank have held up much better than others in the sector, and while still appearing to be well positioned, trades at a substantial premium valuation. This comes at a time when there are some modest concerns about the value of assets sitting on balance sheets across the sector. Hence, we felt it prudent to trim our holding.

Commentary

While **China** continues to capture the bulk of headlines and is still a source of significant concern for many, it feels as though there is little new fuel being added to the fire and some of those concerns may be starting to fade. In the middle of 2021, there was a widespread fixation with the risks emanating from the property developers, and there was a palpable fear from many that the sector was going to imminently implode and take down China's banking system with it. So far, however, the unwind of overindebted developers continues in a relatively orderly fashion, which in our view has always been, and remains, the most likely outcome. While system-wide debt levels are still being constrained, there has been targeted easing, with allowances made for the better-capitalised property developers to once again have greater access to markets, and in certain regions we are seeing a loosening of mortgage availability. Some of the broader concerns had spilled over into other sectors and resulted in a mild economic slowdown. However, we are starting to see some signs of stabilisation there as well, with

industrial output rising in November and services output increasing in the December quarter. Even construction materials and residential property sales showed the first signs of possible stabilisation, and while it may yet be too early to call the bottom, the rate of change has been improving. Investors may take some comfort in noting that our holdings in higher-quality and less-indebted property developers held up reasonably well in the December quarter, despite the ongoing sell-off in the Chinese equity market. Perhaps this serves as a good reminder that, as a general rule, by the time an issue is being splashed across the newspaper headlines, the stock market has often already moved. We aren't out of the woods yet, risks remain and we continue to monitor it closely, but the trajectory so far seems consistent with an orderly and reasonable outcome.

Turning to **India**, during the quarter we saw the reversal of some previous agricultural reforms, which had proven unpopular with farmers, in the face of upcoming state elections. While the government may be slightly less confident in their popularity, there are still signs of ongoing reform. For example, they recently privatised the national airline, Air India, which is India's first privatisation in 17 years. Next in focus will be the upcoming power sector reforms, which should help improve energy distribution efficiency and reduce theft.

On the company specific front, it was interesting to see **Tencent** announcing plans to distribute the majority of its shareholding in e-commerce company **JD.com** to Tencent shareholders. It's fairly unusual to see Tencent dispose of major strategic holdings like this, and as such, the action has sparked speculation whether it may be a pre-emptive regulatory-driven move so that they aren't seen to be cooperating to the detriment of fair market competition, or whether it could be the first step in a broad effort to cash out and distribute some of the significant value tied up in Tencent's ~US$200 billion investment portfolio. To date, the companies are suggesting they remain on good terms, and both are largely independent at this point. It has been framed as simply being the right time to distribute that value given JD.com is now mature and no longer needs any financing or support. The President of Tencent, Martin Lau, is also stepping down from the JD.com board. Since that distribution was announced, Tencent further stated they will be modestly reducing their stake in Sea Ltd, selling down ~US$3 billion worth of shares. Meanwhile, Alibaba is also reportedly in talks to sell its stake in "China's Twitter", Weibo. Tencent's investment holdings account for 30%+ of the value of Tencent shares, so if these actions are part of a broader move to disband its competing ecosystems, it could result in a not insignificant realisation of value.

While we're talking about Tencent, one of their subsidiaries, Riot Games, operates what is arguably the world's largest eSport's event, League of Legends world championships. This year's event took place during the quarter and garnered a record peak live audience of nearly 74 million concurrent viewers, up ~60% on the prior year, showing that interest in eSports continues to grow.[2]

Within the computer game sector there appears to be an emerging use for blockchain, whereby games operate under a model called "play-to-earn" or "play-and-earn". In this model, the game developer launches their own cryptocurrency alongside a computer game, and the cryptocurrency can be exchanged for in-game items. Players wanting a more powerful character can buy the cryptocurrency and get in-game items, or the process can work in reverse whereby players can essentially earn cryptocurrency through gameplay, which can then be sold to other players who are less patient.

A Vietnamese game developer seems to be currently operating one of the largest of these "play-to-earn" games, and a listed Korean game developer is also actively participating in the space. It appears to be an interesting model to drive user acquisition, as players can have a monetary incentive to encourage their friends to play the same game as them. This business model does have a couple of variations, some strike us as interesting innovations, others appear to have a more Ponzi-scheme nature to them, nevertheless it is an interesting trend to follow.

Outlook

As always, there remains some risks and uncertainties, but we feel we are still able to find compelling new opportunities for the portfolio. The shorter-term economic picture is not entirely clear, but it is clear that opportunities still abound for the more entrepreneurial management teams across the region. At the risk of being repetitive, similar to last quarter, we continue to believe the current valuations across much of Asia ex-Japan are undemanding and should serve as a reasonably attractive level for longer-term investors.

2 Source: https://www.sportsbusinessjournal.com/Esports/Sections/Media/2021/11/Worlds-2021-Finals-AMA.aspx

Macro Overview: A Case of Catch-22 for Policymakers in 2022?

by Andrew Clifford, Co-Chief Investment Officer

In late December, CEO and co-CIO Andrew Clifford sat down with Investment Specialist Douglas Isles to discuss inflation, labour market pressures, interest rates, China, decarbonisation, and Omicron - and the challenges these pose for policymakers and markets in 2022. An edited transcript of the conversation is below.*

DI: Andrew you've been talking about the risks of inflation since June 2020 and now everyone's talking about it. Can you give us an update on your thoughts?

AC: The way the inflation story has progressed is really quite interesting. A few months ago, many still regarded it as being 'transitory' – citing the lumber price, and a whole series of prices for that matter, moving up, down and back up again. We've always maintained that the underlying cause of inflation is the amount of money that's been printed. As a result, you're not going to be able to track it by looking at used car prices, copper prices or the like. What's happening in labour markets is a much more important indicator to focus on now, particularly in the US.

The US economy is booming and currently there are about 10 million job vacancies, give or take. There are around seven million people who identify as being unemployed, so we have more jobs than people who are unemployed. Small, medium and large companies are all finding it hard to fill jobs and there's anecdotal evidence of companies needing to increase wage rates to attract staff. I would also add that in our discussions with companies, many have commented that in the past, when copper prices and steel prices rose, pressuring margins for those companies that use these as inputs, they couldn't really increase prices and needed to find cost savings elsewhere. Today, there's a very relaxed attitude from corporates - they're just putting up prices. I think these factors will create a potentially self-perpetuating cycle of inflation.

DI: Would you say these labour shortages are emboldening workers' sense of self?

AC: Lower-income households have really struggled over the past few decades, their real living standards have not improved, particularly in places like the US. Their real living standards have actually worsened over the last couple of years, because they suffered the most from the COVID lockdowns and subsequent job losses. They may have been given some financial assistance along the way with the various government benefit schemes around the world, but as always, it's these groups that are impacted the most by inflation. They don't have the big stock or property portfolios, which is where the money has been made.

So, this divide is getting wider, but interestingly, they now have the upper hand with labour being in such short supply. As a result, we are seeing labour strikes, such as the well-publicised ones at Deere and Kellogg's that have gone on for some time. In the case of Deere, the workforce has been awarded some pretty healthy wage increases.

Perhaps symbolically, large parts of the US labour force have not been unionised, but now the first Starbucks store (out of around 9,000) has been unionised – and that's just one store in New York. Amazon workers at different warehouses are trying to unionise, and we also have teacher strikes. Things are changing, which again, links back to the potential for a self-perpetuating inflation cycle.

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

DI: Is there a deep social problem emerging? How does this factor into your thinking?

AC: Well, there is an issue here and I think one of the most interesting social phenomena's is on the Reddit discussion platform, where 'anti-work' is the fastest-trending thread. Rather than during the 1970s, 1980s or communism era, where people were agitating for everyone to be paid the same, the anti-work thread is that none of us should have to work. Now, that might sound appealing, but we shouldn't underestimate the strength of this movement and it poses a real problem for governments to solve. I believe it actually points the way to some very fundamental changes, one of which I think is going to be interest rates.

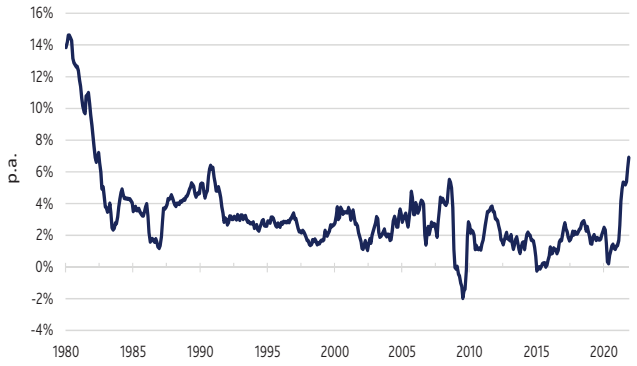
DI: The US Federal Reserve is now talking about rate rises in 2022 of around three-quarters of a percent, how does that impact things and what is the outcome from that?

AC: The first thing to note is that we're now talking about rate hikes in 2022 - previously, they were meant to be somewhere far off, in 2023 or 2024. I don't think this should surprise anyone though, and we've been focused on this for quite some time. The issue again, comes back to the impact of inflation across the economy. The higher-income groups will probably be relatively immune to it if their grocery bill goes up 10%-15%, but for others it's very damaging. Of course, in terms of politicians who fundamentally want to be re-elected, solving inflation is more important. Ultimately, what history showed through the 1960s, 1970s and 1980s, is that governments need to deal with inflation or they will lose the next election.

I think we're on the cusp of changing the way we think about interest rates. It's really interesting that the market had predicted this change in interest rates, with yields on the US two-year Treasury edging higher in the closing weeks of 2021. If you think about it though, if interest rates increase to 1% or 2% and inflation is 6%, with a strong economy, 1% or 2% is not going to make a whole lot of difference. Indeed, there's a huge incentive for the private sector to continue to borrow money at still very low rates and essentially, in one way or another, speculate on inflation. That's how these cycles really take hold - it just creates more monetary growth when we already have too much money. These are the things investors need to be thinking about.

Monetary policy changes, whether it's interest rates or quantitative easing, impact the economy with long lags – traditionally 12-18 months. So, regardless of whether inflation moves beyond 6% or not, we should expect that it's going to be at elevated levels for some time to come, and the ultimate end to deal with that, will be much higher interest rates than people are expecting.

Fig. 1: US Inflation Soars to Highest Level Since the Early 1980s



Source: Federal Reserve Bank of St. Louis, US Consumer Price Index, annual rate, as at November 2021.

DI: Is this a pattern that is starting to emerge in other economies as well, or is it still primarily a US phenomenon?

AC: If you look at the monetary expansions we had in Europe, money supply is up roughly 30% on two years ago, while in the US, it's closer to around 40-45% and the monthly rates continue to be quite strong. In China, it's less so, let's call it in the mid-20s.[1] This is very clearly US led, but we are seeing inflation numbers at the highest levels in decades in many economies and rate increases in much of the emerging world already. So, I think the US is the centrepiece, but it is something that we're seeing pretty much everywhere.

DI: Last time we spoke, we talked a lot about China's reform program. Perhaps you could give us an update on what's happening on the ground there?

AC: As we discussed last time, what's most important in China, in terms of downside risk, are the reforms in the property sector. It's not about Evergrande and the indebted developers, it is about the fall-off we've seen in the sale of new apartments, which will then flow through to much lower construction activity in the months ahead. This is the one clear negative for global economic growth. The property sector is a very important part of the Chinese economy and thus the global economy. We haven't seen any improvement there yet, but we have clearly seen a change in approach from the government. For instance, there has been a change in rules for how the better-managed developers, the ones who have strong balance sheets, can access money and potentially acquire the good projects from those in trouble. We have also seen better mortgage terms for buyers, as well as cuts in the reserve requirement ratio for the banking system to ease liquidity. The Chinese policymakers are aware that there's an issue here, and they are starting to act, as one would expect.

1 Source: FactSet Research Systems, Federal Reserve Bank of St. Louis.

The market's response? By and large, stocks in the areas that have been the most impacted by these reforms bottomed in July/August, with stock prices for the good property developers up roughly 15-20% by year end. That's not to say that it's all over, but the market is indicating that we've probably seen the worst of it in China.

DI: The Chinese government has a pattern of going hard, the market reacts and then the government eases off a little through a number of years of reform, do you agree?

AC: Absolutely. China is the one government that actually does implement reform - they do it aggressively and there's always the chance of policy mistakes and overreach. We saw exactly the same thing occur at the end of 2018 with the banking system, and they had to step back and relax their measures. I think we have a similar situation here, they've recognised the issue and are talking about measures to help regain some momentum in the economy.

DI: You touched on stock price reactions, let's turn to markets more broadly. Are you seeing any parallels with the technology boom in 2000, where everyone wanted to own a narrow collection of stocks?

AC: I think the tech boom in 2000 is a very good model to look at. There are a number of measures we look at. There's a very high concentration of big companies in the indices now. On the Nasdaq for example, the big 10 names, including the FANGs, Microsoft, Nvidia and Tesla, account for roughly over half of the market, which is very substantial - and most of them are trading on very high valuations of 40, 50, or 70 times earnings. Here's the other thing though, if you look at Nasdaq's performance for 2021, it's up around 17% in US dollar terms for the year to date, but if you exclude the best five of those big 10, the market is actually down c. 20%.[2]

Interestingly, a lot of the speculative, very highly valued growth names have been selling off, but not in a straight line up and down. Another measure we look at is 'advance decline', which measures the number of companies that are going up on any day versus the number going down, and steadily over time, less and less stocks are going up. There's also been a fall-off in the number of stocks making new highs versus those making new lows. These are classic patterns that have historically pre-empted a bear market. It is all very similar to 2000, so yes, it's a very interesting parallel.

DI: So, this might not have much longer to run then?

AC: Well, I think we have to go back to interest rates. We've been in an environment of falling inflation and interest rates for three or four decades. Particularly during the last decade, it has been the predominant financial variable propelling stock markets and driving investors into high-growth stocks and these big tech names. It looks like the end of that era is fast approaching and we're already seeing many of the companies that benefited from that, falling. It's not the first interest rate increase that really knocks a stock market down though, and it looks like we're going to have numerous ones. On that basis, I would say that there's very little value in these big-favoured names. We are looking elsewhere in the market and finding that all those other stocks people didn't want to know about are actually pretty good value, and we expect them to be beneficiaries of this stronger growth environment we're in.

DI: During the December quarter, we had COP26 and there was a lot of talk about net zero emissions, how are you thinking about that from an investment perspective?

AC: The move to decarbonise the world is a key thematic that we've been researching and investing in for a long time. A good example is LG Chem, one of the leading providers of electric vehicle (EV) batteries, which has delivered us strong returns over the last couple of years. A lot of the obvious themes are very expensive and there are plenty of other more interesting ways to play it. Let's look at EVs for example, we have Tesla obviously, but there's also Rivian, an electric truck maker that has barely sold a truck and can scarcely make trucks yet. It recently peaked with a market capitalisation of around US$120 billion. Now, even when Tesla was in its exciting days and everyone thought it was expensive, its market cap was US$20 billion not US$120 billion, and it was actually making quite a lot of cars back then.[3]

But let's think about how we're really going to decarbonise our transportation fleet, it's a big task and we have lots of companies out there that have invested heavily in the electrification of vehicles, Toyota is the leader and BMW is right up there. These companies have been investing in this area for a long time, but everything can't just go electric, that's not a feasible outcome. Even if the developed markets are fully electrified in a decade from now, there'll still be large parts of the world that don't have the infrastructure or the generation capacity for that. Companies like BMW and Toyota are thus very focused on reducing the carbon emissions from their traditional internal combustion engines and hence we believe these companies are a very good play. Companies like Valeo, who have a lot of componentry in the exciting areas in auto, but most notably the electric drive train, is another potential play. They're not the obvious "buy" on the electric vehicle theme, but we're buying companies that stand to benefit from that very same trend. Another one is copper, a material that's seen very little investment of

2 Source: https://realmoney.thestreet.com/markets/just-5-stocks-are-the-difference-between-a-bull-market-and-a-bear-market-15854516.

3 Source: FactSet Research Systems.

substance for years now. We need it for EVs, renewable energy and charging stations. We've had big investments there and done well, but again, it's not always the obvious "buy the wind farm" or "buy the wind turbine maker", there are other ways of playing this theme and that's very much our focus.

DI: You mentioned some successes; another big success was the vaccine producers. How is COVID factoring into your thinking as we enter 2022?

AC: It's been such an uncertain environment for the last couple of years and we now have the Omicron variant. What does that mean exactly? There are as many different opinions, as there are articles written about it. I think the thing for investors, and answering in that context, is that when we're buying companies, we're buying them for the next 10 and 20 years of their earnings, not the next six months. Now, the market might fluctuate around those concerns, but we are of the view that we will move beyond COVID - simply because you can see how populations just want to do that, even with the risk that entails. While there will be short-term fluctuations around concerns and stocks will go up and down depending on what investors think is going on, the way to navigate through this, again as an investor, is to look at the longer-term potential of your investments.

DI: Is there any final comment you would like to share?

AC: I think we're in an interesting market, and we've talked about this many times over recent years, where we have some parts that are extraordinarily expensive and we have focused on that here. However, there is the other side of the market, the real companies that have been ignored that are valued sensibly, that are in a position to benefit from the economic environment we're in. Again, going back to 2000, that's exactly what we had back then, where people at that time, only had eyes for the tech sector. It's very similar and the lesson from that time, was not to just avoid the over-hyped and expensive stocks, but to buy the other stocks that people wanted to ignore.

MSCI Regional Index Net Returns to 31.12.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	**6.7%**	**18.5%**
Developed Markets	**7.8%**	**21.8%**
Emerging Markets	**-1.3%**	**-2.5%**
United States	**10.0%**	**26.5%**
Europe	**5.1%**	**16.2%**
Germany	0.8%	5.3%
France	7.1%	19.5%
United Kingdom	5.6%	18.5%
Italy	5.6%	15.0%
Spain	-1.4%	1.4%
Russia	-9.2%	19.0%
Japan	**-4.0%**	**1.7%**
Asia ex-Japan	**-1.2%**	**-4.7%**
China	-6.1%	-21.7%
Hong Kong	-3.5%	-3.9%
Korea	-0.9%	-8.4%
India	-0.2%	26.2%
Australia	2.1%	9.4%
Brazil	-6.5%	-17.4%

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 31.12.2021 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	12.6%	27.4%
Utilities	10.2%	10.1%
Real Estate	8.9%	22.8%
Consumer Staples	8.3%	11.1%
Materials	7.1%	14.8%
Health Care	6.7%	17.5%
Consumer Discretionary	6.1%	9.0%
Industrials	5.5%	16.1%
Financials	3.1%	24.4%
Energy	2.8%	36.0%
Communication Services	-1.6%	10.4%

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

Visit https://www.platinum.com.au/Our-Products/Product-By-Type/Platinum-Investment-Bond to access information about the Platinum Investment Bond - Platinum Asia Fund including:

- Weekly unit prices
- Monthly updates on performance, portfolio positioning and top 10 holdings
- Announcements.

You can also find a range of thought-provoking articles and videos on our website. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**.

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:

- **Video – Pandemic-Hit Travel Sector Gives Rise to Opportunity.**[1] Investing in the travel sector at the beginning of the pandemic may have seemed a crazy idea for some, but not for long-term investors like Platinum. Before taking the plunge, however, there were three questions that needed to be answered. Portfolio manager Nik Dvornak explains.
- **Video – Don't Stay too Long at the Party.**[2] After a 12-year bull market, valuations are high and there are many signs of speculative activity. Bull markets always run their course and it often ends badly for those who remain at the party for too long. CEO and co-CIO Andrew Clifford explains why a conservative strategy is appropriate at this time.
- **Article – Why 'Negative Screens' are Bad ESG.**[3] The solution on climate change is not as simple as pivoting (overnight?) to renewable energy and shuttering coal mines and petroleum installations: the lights would go out. ESG investment specialist Jan van der Schalk shares his thoughts on what is 'good ESG'.
- **Webinar – Market Update.**[4] CEO and co-CIO Andrew Clifford and senior investment analysts Kirit Hira and Jack Cao delve into portfolio positioning, drivers of recent returns and the exciting opportunities we are seeing, especially in Asia.
- **Video – Sustainable Investing Requires a Sustainable Approach.**[5] While wind turbines and solar companies may be popular thematics in the ESG space today, just because they are beneficiaries of growth and change, doesn't automatically make them good investments. Co-CIO Clay Smolinski talks with our ESG investment specialist Jan van der Schalk on Platinum's approach to sustainable investing.
- **Podcast Series – Investing for Life.**[6] Douglas Isles interviews a wide variety of successful business people, drawing on Platinum's investment principles to unpack their respective stories, focusing on how temporary setbacks shaped their lives, the long-term steps they took to ensure they were on the right path, and how they stand out from the crowd.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Pandemic-Hit-Travel-Sector
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Dont-Stay-too-Long-at-the-Party
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Why-negative-screens-are-bad-ESG
4 https://www.platinum.com.au/Insights-Tools/The-Journal/Platinum-Market-Update
5 https://www.platinum.com.au/Insights-Tools/The-Journal/Sustainable-Investing-Requires-a-Sustainable-Appro
6 https://www.platinum.com.au/Insights-Tools/The-Journal/Investing-for-Life-Podcast-02

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).

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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. The returns shown are for PAF C Class units (launched on 4 March 2003). PAF's returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of C Class Units and represent the combined income and capital returns over the specified period. PAF's 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, PAF'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 PAF's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.
2. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows PAF'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 PAF'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.
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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