Platinum Investment Bond™ - Platinum Asia Fund

APIR Code: LIF7284AU

Quarterly Investment Manager's Report

30 June 2022

Investment Update

Platinum Investment Bond - Platinum Asia Fund (PIBPAF)

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In Brief:

- In contrast to more recent times, Chinese assets generally performed well while most other markets across the region were weak.
- Many of our slightly faster-growing, more-innovative Chinese companies performed well, including AK Medical, Dingdong and Estun Automation. Renewed optimism around the reopening of travel and in-store retail benefited holdings such as H World Group, Trip.com and Yum China.
- Valuations vary across the region by market, sector and company but largely remain reasonable, which portends well for finding attractive investment opportunities.
- The setup in China is in stark contrast to most developed markets. With an economy already weak and slowing for some time, and no real stimulus in response to Covid, the government's endeavours to re-invigorate the economy and stimulate activity may prove to be a more stable foundation for positive market performance.

Performance

(compound p.a.⁺ to to 30 June 2022)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund*	**3.7%**	**-14.5%**	**7.3%**	**7.7%**	**13.1%**
MSCI AC Asia ex J Index^	-0.6%	-18.1%	2.8%	5.4%	9.0%

⁺ 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.

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 30 June 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]

This quarter was somewhat the reverse of what we had seen recently, with Chinese assets generally performing reasonably well while most other markets across the region were weak. In China, the market responded to an economy that was starting to show signs of improvement as the latest wave of Covid lockdowns eased, while the government increasingly turned its attention to stimulating the economy. Meanwhile, in most other countries across the region, the impact of the broader global slowdown and withdrawal of global liquidity dragged on asset prices.

Many of our slightly faster-growing, more-innovative companies across China saw their shares perform well, including companies such as prosthetic joint manufacturer **AK Medical** (+26%), online grocery delivery company **Dingdong** (+56%), robotics manufacturer **Estun Automation** (+22%), e-commerce platform **JD.com** (+8%) and computer game and office software maker **Kingsoft** (+20%).

Having moved past the latest round of relatively harsh Covid-induced lockdowns in China, there was also a renewed sense of optimism in the market around the reopening of travel and in-store retail, as people took heart from government actions like the reduction in quarantine requirements. This change in sentiment benefited portfolio holdings such as hotel chain **H World Group** (formerly known as Huazhu, +15%), travel website operator **Trip.com** (+19%) and fast-food chain **Yum China** (+10%).

The Indonesian market, while volatile through the quarter, also largely managed to hold its ground. Some of our investments exposed to that market benefited, including investment holding company **Jardine Cycle & Carriage** (+13%) and paints company **Avia Avian** (+4%). In India, our holding in **Maruti Suzuki** (+12%) performed well on the back of news around much-anticipated SUV model launches.

The biggest detractors from performance for the quarter were our semiconductor holdings **Samsung Electronics** (-18%), **SK Hynix** (-23%) and **Taiwan Semiconductor Manufacturing** (-20%), which all declined as the global economic environment weakened and fears rose around the shorter-term outlook for major end markets like smartphones, laptops and PCs. Filipino property developer **Ayala Land** (-27%) also declined, likely largely in response to the rising interest rate environment but potentially also reflecting some hesitancy towards the country from global investors, given the recent election result. The final detractor

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	30 JUN 2022	31 MAR 2021	30 JUN 2021
China	48%	44%	43%
India	9%	10%	7%
South Korea	8%	10%	10%
Vietnam	6%	6%	4%
Taiwan	5%	6%	5%
Hong Kong	4%	4%	7%
Philippines	2%	2%	1%
Macao	2%	1%	1%
Singapore	1%	1%	1%
Thailand	0%	0%	1%
Cash	14%	14%	18%
Shorts	-1%	-6%	-9%

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

Net Sector Exposures of PAF

SECTOR	30 JUN 2022	31 MAR 2021	30 JUN 2021
Consumer Discretionary	20%	18%	19%
Information Technology	14%	15%	17%
Real Estate	13%	13%	9%
Industrials	12%	12%	12%
Financials	10%	10%	13%
Communication Services	4%	4%	2%
Other	4%	0%	-6%
Consumer Staples	4%	3%	2%
Materials	3%	3%	3%
Health Care	1%	1%	1%
TOTAL NET EXPOSURE	85%	80%	72%

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	4.7%
ZTO Express Cayman Inc	China	Industrials	4.3%
Tencent Holdings Ltd	China	Comm Services	4.1%
Vietnam Ent Investments	Vietnam	Other	4.1%
Ping An Insurance Group	China	Financials	4.0%
Samsung Electronics Co	South Korea	Info Technology	3.8%
Alibaba Group Holding	China	Cons Discretionary	3.5%
InterGlobe Aviation Ltd	India	Industrials	3.5%
China Resources Land Ltd	China	Real Estate	3.3%
Trip.com Group Ltd	China	Cons Discretionary	2.8%

As at 30 June 2022. See note 4, page 11.
Source: Platinum Investment Management Limited.

worth highlighting is our holding in Indian airline **InterGlobe Aviation** (-20%), whose share price fell primarily in response to higher oil prices, as well as potentially some concerns around the capacity discipline of the industry as competitors placed orders for new aircraft.

Like last quarter, we maintained a currency exposure largely in line with our underlying assets. As such, the performance of the Fund benefited from a weakening Australian dollar, which was weighed down by global growth fears.

Changes to the Portfolio

Given the relatively more stable market backdrop in Asia this quarter, portfolio turnover returned to more normal levels as we continued our 'business as usual' process of refining and tweaking the portfolio positioning. It's also worth noting that our index short positions on the South Korean and Indian markets were closed, booking modest profits.

We exited the last of our position in strain wave gear manufacturer **Leader Harmonious Drive** during the quarter. We were increasingly coming across signs of potential for rising competitive intensity in the industry, both from the Japanese market leader keen to win back share and from new Chinese entrants who hoped to carve out positions for themselves. Some industry participants spoke bluntly about a desire to encourage or pursue price-based competition in an effort to shift market share. Leader Harmonious Drive remains a company we have been impressed by, and we will continue to monitor the industry dynamics, but for the moment, it seems prudent to watch from the sidelines.

Our holdings in Chinese property developers **China Vanke** and **China Overseas Land & Investment** were also reduced during the quarter. These stocks held up well over recent months, providing an opportunity to redeploy some of that capital into more prospective areas. While the Chinese property market is not completely out of the woods yet, the government has been making significant efforts to stabilise and re-start activity in the sector through relaxation of policy measures, leading to improved market sentiment towards our holdings, as well as signs of tangible improvements in underlying sector activity and transactions starting to show through in the month of June.

Early in the quarter, we also modestly reduced our holdings in semiconductor companies **Samsung Electronics** and **Taiwan Semiconductor Manufacturing**. Our investment thesis around both these companies is focused on attractive supply-side industry dynamics, which we believe remain intact; however, with poor smartphone, laptop and PC sales, end demand is feeling more vulnerable, with enterprise and cloud markets the remaining primary areas of strength. We retain meaningful positions in both companies and still believe they are well positioned, but given how well their shares had held up in the face of deteriorating global demand, they were no longer quite the outstanding relative value they had previously been.

In India, we trimmed our holding in **Maruti Suzuki**, as the market welcomed news around their SUV model launches with great enthusiasm, sending the share price to levels we felt no longer presented such compelling value.

We believe there remains a significant opportunity to invest in emerging leaders and interesting smaller businesses across the region that may be off the radar of most global investors. One new holding we introduced during the quarter is a dominant manufacturer and distributor of water and air purifiers, holding more than 50% market share in their home market and growing rapidly into other countries across Asia. The company earns strong returns on capital, bears only a modest debt load, and yet we were able to purchase shares in this company for just ten times their prior years' earnings, while the company's earnings are expected to continue to deliver healthy growth.

Another new name we added to the portfolio is the recently listed leader in the Chinese public cloud call centre software market, **TI Cloud**. Unlike many of their global peers in the cloud software space, TI Cloud has well and truly proven their ability to generate healthy profit margins while growing. Their customer list is a "who's who" of corporates across China, including the likes of car manufacturers BMW and Toyota, ICBC bank, insurance provider PICC, and tech leaders like Alibaba, ByteDance and JD.com. We are investing alongside the founder, who still runs the business, and we are paying just a fraction of the price that comparable businesses in Western markets command. We believe we've been given this opportunity as their headline revenue growth has slowed over the past couple of years, deterring many investors. However, the slowdown in sales appears to have been driven by external factors that impacted their customer base and will not be repeated, so our expectation is that the company's headline growth rate should improve once again. As the leader in a fragmented and consolidating market, with three-quarters of their target customer base yet to migrate to the public cloud and certain parts of the portfolio showing relatively explosive growth, we are excited about the prospects for TI Cloud over the coming years.

We also took the opportunity to continue adding to positions in Indonesian paints company **Avia Avian**, Filipino property developer **Ayala Land** and Chinese grocery delivery company **Dingdong**. During the quarter, it was encouraging to see Dingdong making meaningful continued progress towards proving out their business model, with sizeable improvements in things like average order size, gross margins, and various measures of operational efficiency. It will be particularly interesting to see how the company has fared throughout and following the Covid-induced lockdowns across some of their core markets, as there are signs this may have encouraged a large number of new customers to try out their offering. The scepticism around Dingdong's business model is such that if they can demonstrate even a moderate degree of continued operational success, we believe it could result in a substantial re-evaluation of their shares by many market participants.

During the quarter, we also modestly added to our position in parcel delivery company **ZTO Express**. Through the first half of the year, results and feedback across the sector have been painting a consistent picture of increasingly favourable dynamics. The industry has long benefited from rapid e-commerce-driven volume growth, but this historically attracted a steady stream of competition with seemingly endless amounts of money being thrown at players trying to carve out a position. More recently, however, some less-efficient players have finally reached their limits, unable to achieve a competitive cost structure. The regulator has also become increasingly vocal about the negative impacts of such severe price competition and the corresponding downstream effects of this on worker safety and pay, demanding companies resolve these issues. These factors led to rationalisation in the competitive environment, and we have seen pricing and profits improve dramatically. There remains a degree of caution in the market about whether these newly improved conditions are here to stay or simply a temporary reprieve. We believe this could be the start of a new, more stable phase of relative maturity for the industry, with the enormous scale and corresponding efficiency of the dominant players now essentially beyond dispute. Should these conditions hold, we have high hopes for ZTO.

Commentary

The market environment within and outside of China has been consistently moving to the beat of different drums. For most markets across the region, ex-China, the focus tended to be on inflation, interest rates, and the impact these factors were having on global demand. Interestingly, by some measures, many of these countries actually experienced slightly more muted inflationary impulses than what certain developed countries have experienced. Central banks across the region have tended to be more on the front foot, maintaining positive real yields. Nevertheless, many countries responded with protectionist measures in an effort to try and cushion their own population from some of the price swings. For example, Indonesia severely restricted palm oil exports, India imposed duties on steel exports, and China put export controls on petroleum products. There are concerns that rising rates may dent demand, slow the global economic environment, and raise the cost of capital, while the spectre of quantitative tightening hangs over global capital markets, sapping some enthusiasm out of asset prices.

Across the region, **Indonesia** has been perceived as the 'winner of the moment', given its import/export mix. As such, many investors scrambled to buy Indonesian assets. Meanwhile, markets considered more sensitive to global economic conditions, like **South Korea**, have been shunned.

The **Philippines** also perhaps deserves mention for the resounding win the electorate handed to new President Marcos Jr. Some observers point out that the election may have suffered from significant amounts of misinformation spread through online channels. There are also reservations held by those international observers who remember his father's rule in a different light to how the newly elected President portrayed it throughout the campaign. The new government's actions will likely be scrutinised closely as people try to ascertain the similarities and differences of approach from those of years past. This may have also contributed to weakness in that market.

Meanwhile, **China's** markets and economy have been moving fairly independently of other markets. The domestic economy was already weak and had been slowing for a while, with labour slack in the system and not having had any real stimulus or quantitative easing over recent years in response to Covid. This setup is in stark contrast to the starting point for most developed markets. As such, after Covid lockdowns started easing in late May, the Chinese government began forcefully trying to re-invigorate the economy and stimulate activity. Hence Chinese markets, coming from low valuation levels, actually rose reasonably meaningfully throughout June, despite global headwinds.

Outlook

As always, it is near impossible to opine with any confidence about the future direction of broad markets. That said, for the moment at least, in many markets, inflation and interest rate rises appear set to remain for a little longer yet, and that's likely a challenging setup for global markets. Fortunately, it appears most countries across the Asian region are a little ahead of the curve compared to developed markets and so may fare better. Valuations obviously vary across the region by market, sector and company but largely remain reasonable, which portends well for our ability to continue finding attractive investment opportunities. Also, as discussed above, the setup in the Chinese market is somewhat different from elsewhere, and this may actually prove to be a more stable foundation for positive market performance, although only time will tell.

Macro Overview: A 'Garden Variety' Correction or Much More?

by Clay Smolinski, Co-Chief Investment Officer

It's been another challenging quarter for markets. In late June, Co-CIO and portfolio manager Clay Smolinski sat down with investment specialist Julian McCormack to share his thoughts on inflation, the weakening US consumer, Covid lockdowns in China and the energy crisis in Europe - and what they all mean for markets and Platinum's portfolios. An edited transcript of the conversation is below.*

JM: US markets have clearly had a pretty good adjustment. Is it time to 'bottom fish' for bargains there?

CS: We should step back and think about that market adjustment. Looking at the US, the S&P 500 is down about 20% in local currency terms and the Nasdaq is down roughly 30% for the calendar year to date.[1] In a historical context, that's a very reasonable repricing. However, you need to place that repricing in the context of where we came from, which was a bubble environment where valuations were historically very high because investors had been conditioned by low interest rates and the belief that they were going to stay low for a long time. That 20% fall is just skimming off the euphoria that was surrounding markets.

We now need to think about what the current situation is. Today, we have an inflation problem, everyone knows it, but why do we have it? During Covid, the US government essentially added 40% to the money stock, with US bank deposits rising from US$13 trillion to US$18 trillion over an 18-month period.[2] However, the productive capacity of the economy, and by that, I mean trained workers, plant and equipment, and the ability to produce real goods and services, did not change. As all that new money began to chase that productive capacity, with a lag, the price of that productive capacity has naturally increased - and that's not going to solve itself quickly. The central banks know they've overstepped with the money creation and now need to tame inflation. They're doing that by hiking interest rates and trying to remove money from the system. The mechanism to tame inflation is really to trigger a recession that lowers the demand on those productive assets, be it wages or goods and services. Now, creating 40% new money is very good for asset prices. Withdrawing money from the system and driving a recession is bad for asset prices.

So, is it time to bottom fish? We have certainly seen a repricing in markets, and opportunities on the long side are becoming more plentiful, but they're not as plentiful as you may think, and that's simply because we are coming from such an extended and euphoric starting position.

JM: What are the potential bull cases? Where could we be wrong about being cautious on the US?

CS: Where we can be wrong firstly is on investor sentiment. We've gone from the market believing inflation was never going to come back, like in Japan, to inflation being transitory, to oh, we actually have an inflation problem, and a recession is nigh. There's nothing that says that we will fall off a cliff next week, and market sentiment has moved to more of a recessionary belief. If that takes longer to transpire, we could see some pretty interesting bounces.

A second bull case is that we have two very large economies in the world. We have the US, which people believe is heading into a recession. We also have China, which is already in a recession, and potentially, once it gets past Covid, it could move into a recovery phase. The Chinese government has not really stimulated its economy to date during the Covid pandemic, certainly not to the extent that other parts of the world have, and that could be another driver of aggregate demand, which could offset some of the weakness in the US.

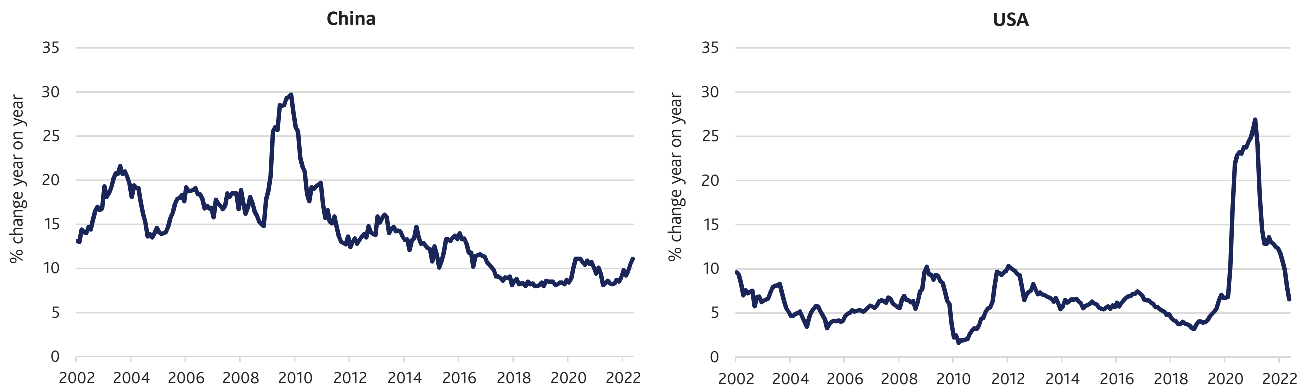
1 References to returns and economic data in this Macro Overview are in quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 Source: Reserve Bank of St. Louis, January 2020 to July 2021.

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

Fig. 1: China Policy Has Been Restrained

Money supply (M2) growth p.a., China versus USA



Source: FactSet Research Systems (China), Federal Reserve Bank of St. Louis (USA). Monthly data to April 2022. M2 includes cash, checking deposits, and easily-convertible near money.

JM: In that context, the Chinese equity market had a massive setback in March, so cheap and unloved became less loved and cheaper, but what's happened since then and what's that telling us?

CS: We think China is in a very interesting space. Most of the indicators we are seeing today suggest we are in a bottoming process and it's time to buy. Again, we need to step back and think about the context. China is in a recession; there has been a huge repricing and a change in the level of activity in their property market following the property reforms, with new property transactions running at -40% for the calendar year to date.[3] We also had a regulatory crackdown, which we think was more important for investor sentiment than the economy per se, and the former has certainly soured. Of course, we've also had the Covid lockdowns. Arguably, this is one of the toughest economic periods China has had over the past 20 years.

We also have investor apathy. There is clear value in China, but investors just don't want a piece of it, and that is linked to events in Russia and more worries around China from a geopolitical sense. It very much reminds us of the investor response during the European sovereign crisis, where investors didn't want to engage in the discussion, and we know how that played out in terms of future opportunities. People may remember the constant back and forth around the European sovereign crisis. Would Germany bail out the peripheral states? We had the President of the European Central Bank (ECB), Mario Draghi, draw a line underneath it with his "we will do whatever it takes" statement in July 2012. From that point, we saw a 50% rise in that market over the next few years, and there were some tremendous gains to be made with European banks doubling in price, for example. And so, there are some interesting parallels - and when people don't want to engage in the subject anymore, it's a good time to take a look.

What will be the catalyst for China and what are we seeing now? It feels like things are starting to turn. The government is open to stimulus packages and we've seen some announced in autos and consumption. We're not going to see the effect of those though, until we move past this Covid period. We've seen every other country in the world move past Covid - a zero-Covid policy forever is not a realistic strategy and we think there will be a resolution there. We're also starting to see a turn in regulatory and government policies around markets, particularly on tech companies. The government was introducing a lot of regulation, which to be fair, was not that different from what the Europeans were doing on tech regulation, but now these companies are being viewed as more of the solution rather than the problem. Generating employment and new investment is something the government wants to do. Companies like Tencent are saying they will invest in building out a local domestic indigenous software as a service (SaaS) style industry, which is seen as a big positive. Importantly, this is now starting to be reflected in stock prices. The Chinese stock market felt like it bottomed after the Ukrainian invasion, and since then, whilst other markets have been rolling over, it has started to trend up, so we are quite positive on the outlook there.

3 Source: China Real Estate Information Corp (CRIC) and Morgan Stanley.

JM: Further on China, it looks like an mRNA vaccine may not be too far away there. Can you reflect on the impact of vaccines in the West?

CS: We saw the impact in our portfolios. In October 2020, what were the cheapest areas of the market? They were cyclicals, industrials, travel, and any industries directly hurt by the lockdowns. The day the Moderna vaccine efficacy rate was announced, many of those stocks went up 20%-30% in a day, and there was a huge rotation in the market. The day indigenous vaccine efficacy data is announced in China, we would expect to see a very aggressive and accelerated rollout of the vaccine. When the Chinese government wants to get things done, they tend to do it. So, it will be a military-style effort to vaccinate the population. When that happens, we expect to see a very strong reaction in the Chinese market and potentially global markets.

JM: So, let's balance some of that potential in China versus a slowdown in the US, particularly the consumer, where consumption represents roughly 15% of global GDP. How are you balancing these very cheap markets, South Korea, Japan, China and Germany, against the slowdown in US demand?

CS: These are either export-led countries, especially in the case of Germany and South Korea, or have a very large export sector, in the case of Japan. I have no doubt that if we do see a recession or slowdown in the US, these countries will be hit; it's just the nature of the largest economy in the world starting to slow down. But why would anyone still be interested in opportunities in those markets? Well, there are a few factors.

Certainly, coming into this current market downturn, these markets were considerably cheaper than their US counterparts. There were a number of reasons for this. Firstly, there was less of that sense of euphoria, fewer retail investors speculating via options and a general lack of all the froth that was going on in the US. Secondly, these stock markets also have less of those very 'hot' areas. The SaaS stocks, for example, are predominantly listed in the US; not many are listed in Germany and Japan. Generally, these markets have come off less than the US, and the starting valuations were considerably cheaper.

Another interesting factor is there have been some very large currency devaluations in these export-oriented countries, particularly the Japanese yen, and to a lesser extent, the euro and the South Korean won. In this type of environment, the yen trading at 135 to the US dollar places companies such as Toyota in an incredibly competitive position. It's the same for MinebeaMitsumi, a company we also own in our portfolios, which exports precision motors and ball bearings around the globe. Those types of companies are in a fantastic position to gain market share and make quite good money in this environment.

It's the old adage that when Japan is looking pretty cheap as a holiday destination due to the yen, you should also think about buying some assets there. Hence, we have been interested in some of those export-led players, such as MinebeaMitsumi in Japan and Infineon Technologies in Germany, a large producer of power semiconductors.

JM: Aside from the human tragedy, clearly Europe has fundamental challenges, not least around energy policy. How are you thinking about Europe?

CS: The central issue in Europe is the energy crisis. There has been a fundamental change to the energy supply into Europe, particularly gas. Europe was sourcing 50% of its natural gas from Russia.[4] It is very hard to change the trade flow of natural gas because it's difficult to transport, you either need a pipeline or liquefication facilities, and both take a long time to come online. There's no quick and easy solution. Energy is a fundamental building block to everything; if the energy price triples, that will affect the competitiveness of your industrial base. And if you can't get energy, well, it gets much worse. So that is a clear problem. Never count the Europeans out though. There are 300 million pretty industrious people there, and when placed on a wartime footing, it's incredible what can be achieved. I believe they recently built two liquefication plants in record time, whereas previously, it would take five years because of the need to obtain every permit underneath the sun. This shows that the market can respond, but we know there are limits to physics; it will take time.

What is our positioning in Europe? Importantly, we don't invest in Europe; we invest in companies. We need to acknowledge that there's a problem and then ascertain who has the solution and who could be the beneficiaries. In response, we know that natural gas will be in short supply in Europe for some time and businesses will try to substitute that and electrify processes where they can. Who's a beneficiary of that? Infineon, with their power semiconductors. When thinking about electric vehicles, other forms of high-voltage electrification, energy or electricity efficiency, a power semiconductor is involved. Energy and electricity is a giant industry, so even small changes in capital spending towards that can have an outsize effect. Infineon is a local company with a dominant position in the higher-voltage ranges – it's a great example of a high-quality European technology manufacturer, and it's trading at 13 times earnings today. Investors are concerned about the

4 Source: International Energy Agency (IEA).

cyclical element of the business currently. However, looking to the future, Infineon is likely to be a key supplier into electric vehicles and electrification, and one would assume there are going to be some very strong spending tailwinds around those two areas. So, that's how we're trying to view it.

JM: We continue to hold a low net invested position in the flagship global equity portfolio, but there is a lot to buy. What are we reflecting in that behaviour in our own exposure?

CS: It comes back to some of the guideposts that we can use and also to the start of our conversation – the repricing in markets, with most broad indices falling roughly 20% over the past six months. But let's put that into context, a 20% decline is a garden variety fall. If you look at a 90-year period in history, there will probably be 25 occasions where markets fell 20% or more. When you have a new and novel problem, and we've had three examples of that in the last 20 years, being the tech wreck, global financial crisis and global Covid shutdown, over those periods, markets fell roughly 40% on each occasion. So, that provides a band of where sentiment can take investors. This time, we have both inflation and a bubble popping. We never know how bad that will be for the market, but we do know it's unlikely to be a garden variety style of problem.

We can then compare that with other measures of sentiment, and that sense of apathy by investors needs to be considered - are they still excited to buy now after a 10-year or 15-year bull market? Or are they starting to disengage? We suspect that we're not quite there yet, and the best measure is when opportunities are completely plentiful.

I would say there are more opportunities than there were, but they are not mouth-watering yet as we still have this hangover from the very distorted Covid spending. You can point to some big falls in these hot areas, but given that the starting valuations were so wild, there is less opportunity than you might first think.

There are also still opportunities to short. There are some incredibly dubious companies running lossmaking business models that are completely reliant on capital market funding, and we think that funding will be much harder to come by over the next 12 months. On balance, while things are starting to get interesting, we're not quite ready to phase out the short book and cash entirely just yet, but we are ramping up our buying activity.

MSCI Regional Index Net Returns to 30.6.2022 (USD)

REGION	QUARTER	1 YEAR
All Country World	**-15.7%**	**-15.8%**
Developed Markets	**-16.2%**	**-14.3%**
Emerging Markets	**-11.4%**	**-25.3%**
United States	**-16.9%**	**-13.2%**
Europe	**-14.6%**	**-19.8%**
Germany	-18.1%	-31.2%
France	-14.8%	-18.3%
United Kingdom	-10.5%	-4.0%
Italy	-17.7%	-22.7%
Spain	-8.4%	-16.3%
Japan	**-14.6%**	**-19.9%**
Asia ex-Japan	**-9.0%**	**-25.0%**
China	3.4%	-31.8%
Hong Kong	-1.1%	-15.2%
Korea	-20.9%	-38.5%
India	-13.6%	-4.8%
Australia	-18.1%	-13.0%
Brazil	-24.4%	-23.3%

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 30.6.2022 (USD)

SECTOR	QUARTER	1 YEAR
Energy	-5.2%	21.4%
Consumer Staples	-6.2%	-4.6%
Utilities	-7.2%	3.2%
Health Care	-7.3%	-4.6%
Real Estate	-14.0%	-13.1%
Financials	-15.8%	-11.9%
Industrials	-16.2%	-18.7%
Communication Services	-18.2%	-29.8%
Materials	-19.8%	-16.1%
Consumer Discretionary	-20.2%	-28.9%
Information Technology	-21.7%	-20.5%

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

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:

- **Webinar and Article - Market Update: Inflation Takes its Toll on Markets.**[1] CEO and co-CIO Andrew Clifford talks with investment specialist Julian McCormack on the impact of inflation, rising interest rates, the Russia-Ukraine conflict and the re-emergence of Covid in China on global equity markets. Against this market backdrop, Andrew discusses Platinum's investment approach, drivers of recent returns and where the team is investing.
- **Video – Biotech, Down but Absolutely Not Out.**[2] It has been a difficult 12 months or so for biotech, but portfolio manager Dr Bianca Ogden believes the sector is "absolutely not broken" – far from it. Innovation continues and balance sheets are stronger than ever with a lot of cash sitting on the sidelines, paving the way for industry consolidation and ongoing investment in next-generation technologies and drug discovery.
- **Video – Defensive Stocks Not So Defensive After All?**[3] US consumer stocks have taken a hit this year. Rate rises, geopolitical issues, withdrawal of fiscal stimulus and excess inventory are all taking their toll on company sales and profit margins. Portfolio manager Jamie Halse discusses his thoughts on current valuations, why defensive companies aren't necessarily great investments and where he is finding value outside the US.
- **Audio – Remember the Tech Wreck? This is Worse.**[4] In this episode of *Your Wealth*, Julian McCormack chats with nabtrade's Gemma Dale on the recent market rout. Is the recent sell-off in global equities going to repeat history?
- ***Investing for Life* Podcast – Kerr Neilson, Co-Founder, Platinum Asset Management.**[5] Kerr Neilson shares a rare insight into his life growing up, how his father's business challenges shaped his views on entitlement and hard work, learning the difference between luck and competitive advantage in investing, and how insecurities and the drive to win led to the creation of Platinum.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Market-Update-Inflation-Takes-its-Toll-on-Markets

2 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Biotech-Down-but-Definitely-Not-Out

3 https://www.platinum.com.au/Insights-Tools/The-Journal/Defensive-Stocks-Not-So-Defensive-After-All

4 https://www.platinum.com.au/Insights-Tools/The-Journal/Remember-the-Tech-Wreck-This-is-Worse

5 https://www.platinum.com.au/Insights-Tools/The-Journal/Investing-for-Life-Podcast-11

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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