



**Platinum Investment Bond™  
- Platinum Asia Fund**

APIR Code: LIF7284AU

**Quarterly Investment  
Manager's Report**

**30 June 2021**

# Investment Update

## Platinum Investment Bond - Platinum Asia Fund (PIBPAF)



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### Performance

(compound p.a.\* to 30 June 2021)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund*	1.3%	26.2%	13.3%	15.2%	14.8%
MSCI AC Asia ex J Index <sup>^</sup>	5.1%	28.1%	11.6%	14.3%	10.8%

\* 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.

<sup>^</sup> 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:

- Early in the quarter, weakness in markets coincided with rising inflationary concerns and a resurgence in COVID cases, particularly in India. However, as the quarter progressed, these concerns melted away.
- Our Chinese apparel brands Li Ning (+88%) and Anta Sports Products (+44%) were strong contributors to performance, as was our new addition, Indian property developer Macrotech Developers (+40%).
- On the negative side, Chinese property developers China Vanke (-20%) and China Resources Land (-16%) were key detractors from performance.
- We initiated a new position in TAL Education, a Chinese tutoring services company. We adjusted our positioning in the Indian banking sector, reducing our exposure to HDFC Bank while re-introducing ICICI Bank. We also reduced our exposure to companies that had experienced dramatic rises in their share price, including Country Garden Services, Huazhu, Anta Sports Products and LG Chem.
- Asia represents an incredible prospective opportunity set for investors. The dynamism of the region, ongoing reforms and development which underpins growth, as well as the depth and breadth of the opportunity set, gives us confidence we can continue to find plenty of attractive opportunities to ensure the portfolio is set up for long-term success.

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 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.<sup>1</sup>**

Early in the quarter, weakness in markets coincided with rising inflationary concerns and a resurgence in COVID cases, particularly in India. However, as the quarter progressed, these concerns melted away. A consensus appears to have formed in the market that inflation is likely to be transitory, or at least is unlikely to elicit a policy response in the form of higher interest rates anytime soon. Meanwhile, India managed to get the disease somewhat back under control and ended up being the top contributing market to the Fund's performance over the quarter.

On the positive side of the ledger, during the quarter, we experienced strong returns from our Chinese apparel brands **Li Ning** (+88% over the quarter) and **Anta Sports Products** (+44%). This reflects both a growing preference among young Chinese consumers for domestic brands over foreign brands,<sup>2</sup> as well as continued solid execution against business plans by the management teams of both firms.

Shares in Indian property developer **Macrotech Developers** (+40%), which was only added to the portfolio at the beginning of the quarter, also performed well following its initial public offering (IPO).

One of our smaller Chinese holdings, which is active in the biopharmaceutical space, **CStone Pharmaceuticals** (+85%), saw its share price race up following positive news for their cancer therapies as well as updates on commercial partnerships.

On the negative side, the Macau companies **Melco Resorts & Entertainment** (-17%) and **Galaxy Entertainment** (-11%) both suffered from the ongoing COVID situation, with local outbreaks in Guangdong and Hong Kong being particularly disruptive to their clientele. There was also some weakness in Chinese property developers **China Vanke** (-20%) and **China Resources Land** (-16%), as the market's fears were stoked by financial challenges seen at industry peer Evergrande. We would hasten to point out that the developers we own are in a vastly better financial position than Evergrande, so we expect them to come out the other side of the current environment in a stronger competitive position than before.

<sup>1</sup> 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.

<sup>2</sup> As discussed in our article "China's Societal Change: Centralised Command and Capitalist Entrepreneurs": <https://www.platinum.com.au/Insights-Tools/The-Journal/China-Societal-Change>

**Disposition of Assets of PAF**

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
China	43%	42%	53%
South Korea	10%	11%	12%
India	7%	5%	8%
Hong Kong	7%	8%	9%
Taiwan	5%	6%	8%
Vietnam	4%	3%	2%
Philippines	1%	1%	0%
Singapore	1%	2%	0%
Thailand	1%	2%	2%
Macao	1%	1%	1%
Cash	18%	19%	5%
Shorts	-9%	-8%	-16%

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

**Net Sector Exposures of PAF**

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Consumer Discretionary	19%	17%	30%
Information Technology	17%	18%	21%
Financials	13%	13%	9%
Industrials	12%	12%	3%
Real Estate	9%	9%	4%
Materials	3%	3%	4%
Consumer Staples	2%	2%	6%
Communication Services	2%	2%	11%
Health Care	1%	1%	2%
Energy	0%	0%	4%
Other	-6%	-5%	-14%
TOTAL NET EXPOSURE	72%	73%	79%

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

The Fund had minimal short positions in place during the quarter and they proved to be a very minor drag on performance.

The Australian dollar weakened modestly, resulting in a slight benefit to reported results.

## Changes to the Portfolio

During the quarter, we introduced a handful of new positions to the portfolio. We participated in the IPO of **Macrotech** (as mentioned above) and added to the position post the IPO. This was a tremendous opportunity to buy into one of the premier developers in the region, at a very attractive price. The Indian property market has been languishing the past few years, after reckless lending led to a boom and subsequent bust. The better-managed and more conservative developers, like Macrotech, which survived the bust, we believe are now well placed to capitalise on the mistakes of their peers, securing land rights at minimal costs and taking the opportunity to generate incredibly high returns on these projects. With the wreckage of the prior bust now firmly in the rear-view mirror, the sector has begun consolidating, household debt levels are low, the population is increasing and incomes are rising, laying a strong foundation for the Indian property market, where prices have stabilised and started to increase. We were able to secure our stake in this founder-owned and managed business at a low-teen earnings multiple, well below where listed peers were trading. While the stock has already performed well, we feel this story is just getting started.

We also initiated a position in **TAL Education**, a Chinese tutoring services company. This is a business we have kept an eye on for years and took the opportunity during the quarter

to buy an initial position after the stock more than halved in the face of regulatory concerns relating to the duration and cost of tutoring. The government has turned its focus to the after-school tutoring sector, as they try to identify ways to reduce the costs and associated stress of raising children in China. The final form of regulation remains uncertain, leaving many market participants unwilling to invest in the sector until there is more clarity around the issue. We believe TAL is one of the highest-quality operators in the sector, providing genuinely good service. Our sense is that the government does not intend to eliminate quality providers and that education remains a foundational value of the country. Given the wide range of potential outcomes, however, we have to date, only taken a small position in the company. While time will tell which way the regulatory winds blow, our suspicion is this will prove to have been an opportune chance to acquire a stake in a quality business at a very reasonable price.

Other smaller new positions include: a leading company in the Chinese power semiconductor market that's growing rapidly and taking market share from international competitors; a steel producer on a low single-digit price-to-earnings (P/E) multiple; and a very profitable Vietnamese retailer that has practically no debt, dominates their niche, delivers good growth and trades on a low-teen P/E multiple.

Within our Chinese property developers, we switched our holding in China Jinmao for **China Overseas Land & Investment**, as we have some concerns around Jinmao's ability to continue sourcing land parcels through their historic channels.

We also adjusted our positioning in the Indian banking sector, reducing our exposure to **HDFC Bank** while re-introducing **ICICI Bank** to the portfolio. HDFC has long traded at a premium to peers, but we feel the difference in execution between HDFC and ICICI has narrowed materially, justifying a modest re-allocation of our capital.

There are a couple of positions where the investment thesis has not been playing out as originally hoped, for example **Largan Precision** (Taiwan, camera lens provider) and **CP All** (Thailand, food and staples retailer), hence these positions have been trimmed.

Finally, we reduced our exposure to companies that had experienced dramatic rises in their share price. While in most cases their competitive positioning remains strong, this is increasingly reflected in the share price, hence necessitating a reduced allocation. In this category, we reduced our holdings in **Country Garden Services**, **Huazhu Group**, **Anta Sports Products** and **LG Chem**.

## Top 10 Holdings of PAF

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	5.0%
Taiwan Semiconductor	Taiwan	Info Technology	4.9%
AIA Group Ltd	Hong Kong	Financials	3.4%
ZTO Express Cayman Inc	China	Industrials	3.3%
Vietnam Ent Investments	Vietnam	Other	3.2%
Weichai Power Co Ltd	China	Industrials	2.9%
SK Hynix Inc	South Korea	Info Technology	2.8%
Ping An Insurance Group	China	Financials	2.6%
Alibaba Group Holding	China	Cons Discretionary	2.5%
InterGlobe Aviation Ltd	India	Industrials	2.3%

As at 30 June 2021. See note 4, page 11.

Source: Platinum Investment Management Limited.

## Commentary

Having had time to get properly acquainted with the portfolio, we thought there could be some value in laying out our overarching thoughts on where we stand.

As a starting point, Asia presents an incredibly prospective opportunity set for investors. Across the region, we see vibrant societies, populated by remarkably well-educated citizens. These groups are filled with entrepreneurial zeal, making rapid progress toward healthier and wealthier lives. The path they are travelling along will present a broad opportunity set for businesses and investors. These populations are looking to improve their living conditions with better housing, cars, appliances, financial services, communications, holidays and entertainment. We will see growth and changes in the food industry, health service and exercise markets. There will be a continued modernisation of the retail sector, building-out of manufacturing facilities and office space, a shift toward service industries and increases in mechanisation, automation and digitisation. All these changes and many more will require energy, resources and infrastructure, and will have to be done in a manner such that the environment is preserved for the people to enjoy. The changes are happening at a rapid pace, presenting huge opportunities for ambitious entrepreneurs across the region.

Looking at the portfolio as it stands, we have a diversified mix of businesses, catering to domestic and export markets, serving consumers and corporates, touching on a broad swath of industries and ranging from discretionary items to basic necessities.

The largest holdings in the Fund, **Samsung Electronics** and **Taiwan Semiconductor Manufacturing (TSMC)**, along with **SK Hynix**, are world-class technology champions, with substantial competitive moats, long growth runways, healthy balance sheets and trading at quite reasonable valuations. These companies have featured across Platinum's portfolios for many years, and for good reason, they are great businesses. Collectively, these three positions account for 13% of the Fund, while a handful of other technology and internet businesses account for a further 10%.

Companies helping to upgrade people's day-to-day lives across the region, like property developers (8% holding in the Fund), white goods companies (2%) and autos (2%), also feature in the Fund, and are represented across China, India and the Philippines. These companies are often viewed by the market as being less exciting and somewhat cyclical, so are often available at relatively lower valuations, despite clear structural growth drivers, and in many cases, attractive industry dynamics. Related, but somewhat more popular

with the market, are apparel and retail companies (6%), where popular brands and concepts can take off like wildfire, requiring relatively little capital to grow and generate substantial profits once a successful formula has been identified. Leisure and travel (8%) is the other major consumer-facing sector in the Fund. These businesses typically have a strong structural growth story, but have suffered temporary setbacks due to COVID.

Financials (13%) is another meaningful component of the Fund, with the bulk of the holdings in this sector concentrated in China and Hong Kong. The growth and maturation of the financial services sector is a key, but often overlooked aspect of a country's development. When functioning well, the finance sector should facilitate a more appropriate sharing of risk via insurance markets, as well as helping to improve productivity through efficient capital allocation arising out of well-developed financial markets.

The remainder of the invested portion of the portfolio is a mix of healthcare, services, industrial businesses and other idiosyncratic opportunities.

Overall, we are comfortable with the current holdings in our portfolio. As always, however, there is a natural need to keep replenishing and replacing the ideas in the portfolio as individual investment cases play out. Over time, you may notice a shift toward longer duration investments in the portfolio and we would expect portfolio turnover to decrease from the elevated levels seen over the past year or two. Sector and geographic weights will be largely dictated by the opportunity set presented to us.

## Outlook

Liquidity conditions appear to have tightened modestly across the region, which if managed carefully, may cool emerging inflationary pressures, setting us up for a period of sustainable expansion.

It is worth noting, however, such macroeconomic prognostications are not fundamental to our process. Rather, we start by identifying mispriced businesses, those which are overlooked or underappreciated, and assemble these opportunities into a portfolio. Given the dynamism of the region, ongoing reforms and development which underpins growth, as well as the depth and breadth of the opportunity set available to us, we feel confident we can continue to find plenty of attractive opportunities to ensure the portfolio is set up for long-term success.

# Macro Overview

by Andrew Clifford, Co-Chief Investment Officer

## Rising Inflation Signals the Need for Wariness in Highly Favoured Names

*"The burden of today's spending measures by governments will either be funded by taxation (today or in the future) or through a loss of value in money or cash (i.e. inflation)."*

March 2020 Macro Overview

*"Assuming that limits do exist on this financial engineering, we need to understand at what point these limits will be reached and what will be the implications of exceeding them. These questions are not easily answered, but certainly, possibilities include a rise in goods and services inflation..."*

June 2020 Macro Overview

*"While there is no evidence of a rise in inflation in goods and services in the major economies yet, it is easy to see an inflation scare unfolding as the year progresses."*

December 2020 Macro Overview

*"Daily readings of consumer prices already show inflation heading back to levels last seen in mid-2019."*

March 2021 Macro Overview

Regular readers will know that since the outset of the COVID-19 pandemic, we have focused on the role of 'money printing' in funding government rescue packages and the potential for this to flow through to inflation in goods and services. Our concern has been that a surprising outcome in inflation would threaten the low interest rate environment, which has been a major factor underpinning the worldwide bull market in asset prices. The last six month-period has been interesting as we moved from there being no evidence of inflation, to nascent signs, and now some of the highest rates of inflation, at least in the major economies, that we have seen in decades.

Meanwhile, on other fronts, the relationship between the US (and the developed world) and China, on face value, continues to deteriorate. Attempts by governments around the world to rein in fast-growing monopolies in e-commerce and related areas continue. We are also seeing waves of COVID-19 variants continuing to spread across the globe. Yet, despite these developments, equity markets have broadly moved higher this year, with most markets at, or near, record highs. These share price moves mean valuations remain

somewhere between stretched to speculative for much of the market. Admittedly, there has been some nervousness around bond yields, interest rates and inflation at various points along the way, however, by and large, markets have remained bullish. Of course, the positive news has been the very strong economic recovery in regions that are moving steadily toward a post-COVID era.

Making predictions on economic variables is fraught with danger. However, the risk for markets with respect to inflation and the direction of interest rates is unlikely to be symmetric. If the inflationary spike turns out to be short-lived and interest rate rises remain a distant possibility, then the market can likely continue along the same path with valuations remaining elevated for the moment. However, the alternative scenario of persistent inflation that results in much earlier-than-expected interest rate increases by central banks is likely to result in dramatic falls in share prices, especially for the highly valued growth stocks. We would continue to argue, that in this environment, investors should remain cautiously positioned.



## Inflation – a temporary blip or here to stay?

The US economy continues to power out of the COVID-induced recession. This is happening, even as unemployment benefits and other government transfer payments are progressively being wound back across the country. Employment growth, higher wages and a drawdown on the extraordinary level of savings stashed away last year are more than offsetting the cutbacks in government spending. In Europe, the economy is steadily making progress, even if at a slower pace than the US, and the Chinese economy is strong enough that the government is focused once again on slowing credit growth and reducing leverage across the economy. While growth rates will fall naturally as the year progresses and comparisons are no longer made against the trough of the recession, we do expect that, absent any other shock, global economic growth will remain robust as such momentum in the economy does not dissipate quickly.

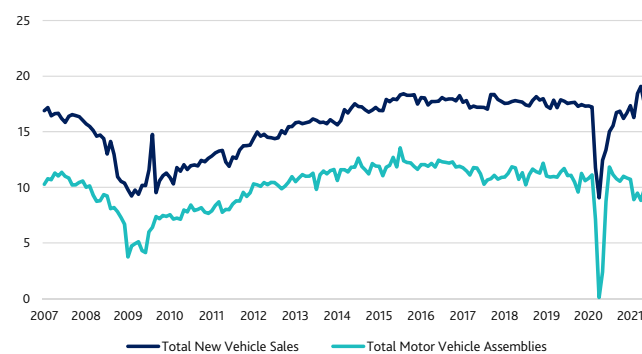
This strong recovery, together with the fact that large service industries, such as travel, are still being impacted by COVID-related restrictions, has resulted in a surprising boom in demand for manufactured goods. This strong demand, together with supply chain disruptions in the early stages of the pandemic, has caused a wide range of commodities and manufactured goods, from copper to semiconductors and new homes, to be in short supply. This has resulted in rising prices for many goods and a spike in the consumer price index (CPI) to an annual rate of 5% in the US.<sup>1</sup>

A most curious example of this phenomenon is evidenced in the US auto market, which is known for its endless supply of new vehicles. As new car sales reached the highest level recorded in April on a monthly basis since the global financial crisis (GFC), production of new vehicles has simultaneously fallen to depressed levels as a result of component shortages (see Fig. 1). This has resulted in a 30% increase in the price of

1 Source: US Bureau of Labor Statistics.

**Fig. 1: US New Vehicle Sales vs. Production**

Millions of Units, Monthly, Seasonally Adjusted Annual Rate, May 2021



Source: Federal Reserve Bank of St. Louis.

used cars and trucks over the past 12 months (see Fig. 2),<sup>2</sup> with stories that used cars are selling at levels well above the listed price for the same vehicle on the showroom floor!

So, is this the beginning of a new era where inflation heads higher and remains persistent? The argument that this is a temporary phenomenon caused by unusual circumstances generally rests on two key propositions. The first is that the supply/demand imbalances we are experiencing will be temporary, even if they take a year or two to resolve, and prices will fall back to where they were. We strongly agree with this proposition. If the economy is good at one thing, it is resolving shortages in the supply of goods and services. The second part of the argument, is that, as government spending winds back, economies will slow dramatically. As we have pointed out, this isn't actually happening to date, and we don't expect it will. Still, that would only suggest that it may take a little longer for prices to fall away.

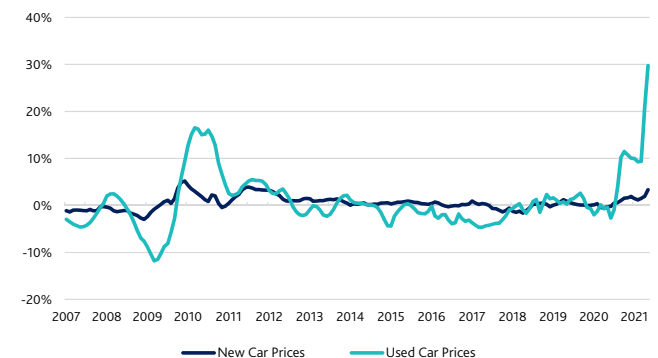
The debate on inflation is quickly moving to the cost of labour. Despite high unemployment rates in most economies, employers are universally reporting that it is hard to fill roles. This is true not only in the developed world, but also in China. There is strong anecdotal evidence that wages are rising and it is expected that various measures of employment costs will post high numbers as the year progresses. There were some expectations that the roll back of government benefits would help ease wage cost pressure as more people returned to the labour force, but it's not clear that this is happening. Time will tell.

However, the escalating cost of labour is not the concern that leads us to be wary about the re-emergence of inflation. Rather, it is the economic premise that if the rate of growth in money circulating in the economy is faster than the growth in the value of the economy's output (i.e. nominal GDP) it will necessarily be inflationary. It is an idea that has long been out of fashion and ignored because it wasn't apparently true.

2 Source: Federal Reserve Bank of St. Louis.

**Fig. 2: US New Car vs. Used Car Prices**

% change p.a.



Source: Federal Reserve Bank of St. Louis.

Money printing post the GFC didn't seem to create huge inflationary pressures, at least in the price of goods and services. This is partly because the excess growth in money supply (using aggregates such as M2 or M3) was quite timid. Additionally, inflation was only apparent in the price of assets such as property and shares – not goods and services. In the past 12 months in the US, the printing of money has been prodigious and there has been inflation not only in assets, with residential property prices up 15% over the year to June<sup>3</sup> and the stock market up strongly, but now also in the CPI, with some of the highest numbers recorded in decades.

As fiscal spending initiatives roll off, the printing presses will slow. What is not known though is what happens to the so-called velocity of money (or more simply, how often money is spent in a given period). Where households had received government payments and simply left them in the bank, this money was passive and had no influence on the financial system. Economists would view this as driving down the velocity of money. As economies recover, if US households now elect to spend these savings over the next year or two, the velocity of money will start to recover and it remains possible that additional inflationary effects of the money printing last year could be experienced.

### **Does it really matter though if the Fed and other central banks keep interest rates at low levels?**

It is important to appreciate that the role of central bank statements is not to tell us what they think is the likely course of interest rates, but to tell us what “they want us to believe” will be the likely course of interest rates. This is not quite as Machiavellian as it sounds. Central banks have rates set low for a reason and they want consumers and businesses to act as if they will stay low for the foreseeable future. When the central banks see the need to change, they will let us know, but the idea that they have the predictive powers to know that this will be sometime in 2023 or 2024 is insane. I think a far better premise for investors is that central banks will increase rates if it becomes clear that inflation is likely to be persistent.

### **Does it really matter if inflation is persistent? Why should the central banks respond at all?**

Ultimately, the issue with inflation is that it represents a transfer of wealth between different groups in society. This is clearly seen in the discussion around the question of house affordability for first-time buyers that has been taking place in many countries. With goods and services inflation, the

impact is usually felt mostly by lower-income households who struggle to put food on the table as prices rise faster than wages. Ultimately, workers will respond and demand higher wages, sparking a wage-price spiral. For this reason, inflation historically has been a serious problem for governments.

Even if central banks don't respond initially to persistent inflation, it is ultimately a political issue. The experience of the 1970s and 1980s was that, the longer it took for governments to respond to rising inflation, the longer and more persistent the problem became.

### **What does this all mean for markets?**

After the US Federal Reserve's (Fed) Open Market Committee meeting in mid-June, where the comments post the meeting were interpreted as bringing forward the first rate increase from 2024 to 2023, the stock market's reaction was curious. Investors returned to buying their favourite growth stocks and avoiding those more dependent on a good economic environment. This is an odd reaction, as a rate increase is literally years away (if we believe what the Fed tells us) and generally the economically sensitive stocks would be expected to perform well throughout the period of rising rates. This is quite possibly a reflex action by investors to return to perceived certainty (growth stocks and defensive businesses) at a time of uncertainty, rather than a statement that a possible rate increase in two years' time will immediately stifle the economic recovery. This period is also coincident with a rise in concerns around the spread of the COVID Delta variant.

### **How will the China/West relations play into the market's concerns?**

The Group of Seven (G7)<sup>4</sup> meeting held in mid-June and celebrations of the centenary of the Chinese Communist Party in early July have brought the topic of China's relationship with the West to the front pages of the newspapers once again. As we have discussed previously, the interdependence of our economic systems is a significant limiting factor on actions that can be taken by either side. Certainly, statements from both sides in recent months appear to be more theatre for domestic politics than an intention of meaningful action. This is not to say there are not serious issues at stake here that need attention. When interviewed by the *Financial Times*, Armin Laschet, who is the current frontrunner to become Germany's next chancellor, was quoted as saying, “The question is — if we're talking about 'restraining' China, will that lead to a new conflict? Do

<sup>3</sup> As measured by the S&P Case-Shiller National Home Price Index. Source: FactSet Research Systems.

<sup>4</sup> The G7 includes Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.



we need a new adversary?" He also said "And there the European response was cautious, because, yes, China is a competitor and a systemic rival, it has a different model of society, but it's also a partner, particularly in things like fighting climate change."<sup>5</sup> This more nuanced approach to the issue of China relations is one that provides some small hope of resolving the current conflicts. In the meantime, the markets are treating the issue as a sideshow, which short of some dramatic developments, it probably is.

Finally, the issue of the anti-monopoly movement continues in the background. In China, action has been taken in regulating areas such as fintech and anti-competitive behaviours in e-commerce. The approach in the West is clearly more process driven and will most likely be a drawn-out affair. In the US, President Biden appointed Lina Kahn, a high-profile academic who has argued for a reframing of US competition laws, to chair the Federal Trade Commission (FTC). This is a pretty clear statement of intent. In the short term though, the FTC case against Facebook has been dismissed. We expect this movement to be a feature of the investment environment for the large e-commerce and payments businesses around the globe.

<sup>5</sup> Source: Financial Times, 21 June 2021.

### MSCI Regional Index Net Returns to 30.6.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	7.4%	39.3%
Developed Markets	7.7%	39.0%
Emerging Markets	5.0%	40.9%
United States	8.8%	41.9%
Europe	7.6%	35.0%
Germany	4.7%	31.8%
France	9.1%	40.9%
United Kingdom	6.0%	31.3%
Italy	3.6%	36.6%
Spain	5.3%	30.7%
Russia	14.0%	38.6%
Japan	-0.3%	24.8%
Asia ex-Japan	3.6%	39.6%
China	2.3%	27.4%
Hong Kong	2.5%	28.9%
Korea	4.8%	66.2%
India	6.9%	56.4%
Australia	6.9%	39.6%
Brazil	22.9%	46.6%

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 outlook for markets?

In this overview, we have focused on a number of negative elements in the current investment environment. However, the one real positive is the strength of the global economy coming out of the 2020 recession. Generally, one would expect this to be a good time to own shares. Certainly, there are many companies that we hold across our portfolios that we expect will likely benefit from the recovery and still trade at reasonable valuations.

While there are reasons to be optimistic about stock market returns, there are obvious areas of concern, notably the risk of persistently high levels of inflation and the impact on interest rates. It is not a definitive prediction but a reason to remain wary, particularly for investors in the highly favoured growth stocks trading at extremely high valuations.

### MSCI All Country World Sector Index Net Returns to 30.6.2021 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	10.5%	46.0%
Health Care	9.4%	23.5%
Energy	9.3%	39.1%
Real Estate	8.4%	27.0%
Communication Services	8.0%	42.0%
Financials	6.2%	48.9%
Materials	6.0%	49.0%
Consumer Discretionary	5.9%	46.3%
Consumer Staples	5.7%	20.7%
Industrials	4.7%	44.6%
Utilities	-0.4%	14.7%

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.

# 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:

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## Recent highlights include:

- **Article - China's Societal Change: Centralised Command and Capitalist Entrepreneurs.**<sup>1</sup> China is implementing a number of policy responses to address social issues such as housing affordability and anti-competitive behaviour in technology. Such change can create uncertainty - but also interesting investment opportunities, as discussed by Cameron Robertson and Charles Brooks.
- **Article - Milk: A Nourishing Option for Investors.**<sup>2</sup> While plant-based milk-alternatives are gaining traction in Australia, the traditional dairy industry is still nascent in Asia, where milk and dairy consumption is low and rising – presenting some attractive investment opportunities, as James Foreman explains.
- **Video – Platinum's Four Guiding Investment Principles.**<sup>3</sup> Since our founding in 1994, Platinum has consistently applied four key investment principles, which have withstood the test of time. Co-CIO Clay Smolinski explains these four principles and how they guide the investment team's search for mispriced stocks in the market.
- **Video – The Role of Mining in a Decarbonising World.**<sup>4</sup> ESG and mining is set to be one of the big stories over the next decade. Investment specialist Douglas Isles sits down with resources and industrials analyst Liam Farlow to discuss the role that mining and metals will play in the decarbonisation of the world.
- **Video - LG Chem: Powering the EV Shift.**<sup>5</sup> While LG Chem may look like an overnight success story, it's been a decade of R&D and investment that has taken it to where it is today – the world's No. 1 electric vehicle battery maker. Having first invested in LG Chem back in 2017, what made Platinum look under the hood of LG Chem and what's driving the expected long runway of earnings growth? Liam Farlow explains.

1 <https://www.platinum.com.au/Insights-Tools/The-Journal/China-Societal-Change>

2 <https://www.platinum.com.au/Insights-Tools/The-Journal/Milk-A-Nourishing-Option-for-Investors>

3 <https://www.platinum.com.au/Insights-Tools/The-Journal/Platinums-Four-Guiding-Investment-Principles>

4 <https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Role-of-Mining-in-a-Decarbonising-World>

5 <https://www.platinum.com.au/Insights-Tools/The-Journal/LG-Chem-Powering-the-EV-Shift>

**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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