Platinum Investment Bond™ - Platinum Asia Fund

APIR Code: LIF7284AU

Quarterly Investment Manager's Report

30 September 2021

Investment Update

Platinum Investment Bond - Platinum Asia Fund (PIBPAF)

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Performance

(compound p.a.⁺ to to 30 September 2021)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Asia Fund*	-5.0%	9.2%	12.4%	12.6%	14.3%
MSCI AC Asia ex J Index^	-5.8%	13.5%	9.3%	11.4%	10.2%

⁺ Excluding quarterly returns.

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

^ Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.
See note 1, page 11.

In Brief:

- Indian companies Macrotech Developers (+55%), InterGlobe Aviation (+18%) and IndiaMart (+20%) provided a positive contribution to performance over the quarter.
- Key detractors from performance were concentrated in our Chinese holdings. One small holding, TAL Education (-81%), suffered a sharp decline as the after-school tutoring market in China was banned. Chinese technology companies, Alibaba (-35%), Tencent (-21%) and Kingsoft (-33%), weakened as concerns grew around regulatory overhang.
- We took advantage of share price weakness to increase our holdings in Alibaba and Tencent, as we believe the headwinds are likely to be only modest drags on their businesses.
- We added a number of new stocks across a range of areas, including an innovative agricultural company, a software provider to the electrical grid, and a company that applies cutting-edge AI to healthcare.
- There are many reasons to remain optimistic about the long-term opportunity, not just in China, but across Asia. This is a vibrant dynamic region, with well-educated and driven people, hungry to further improve their living standards. Recent fears have led to low relative valuations in parts of the region, creating a set-up which is attractive for those with a long-term view.

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 September 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]

Asian markets sold off sharply early in the quarter, driven by weakness in China, with the MSCI China Index falling -15% in Australian dollar (AUD) terms over the quarter. Markets appear to have stabilised, although investor sentiment towards China has been fluctuating week by week.

The biggest detractors from the Fund's performance during the quarter were concentrated in our Chinese holdings. One small holding, **TAL Education**, suffered a sharp decline (-81% over the quarter) as the after-school tutoring market in China was banned. Chinese technology companies, like **Alibaba** (-35%), **Tencent** (-21%) and **Kingsoft** (-33%), also saw their share prices fall, as investor sentiment towards the country soured and concerns grew around regulatory overhang. **Ping An Insurance** was also marked down (-25%) during the quarter, with some investors selling the stock due to fears around the health of their investment portfolio.

There were a number of bright spots during the quarter though, even within our Chinese holdings. One of these was **Yuan Longping High-Tech Agriculture** (+20% from first entry point during the quarter), a company that is playing a key role in improving agricultural efficiency in China through their portfolio of rice and corn seeds. **AK Medical** (+36% from first entry point) also rose nicely, shortly after our initial purchase, as the results from the public procurement process for hip and knee joints confirmed they had secured a healthy market share at prices that were better than some had expected.

Outside of China, a number of our holdings posted positive results. Indian companies such as **Macrotech Developers** (+55%), **InterGlobe Aviation** (+18%), **ICICI Bank** (+11%) and **IndiaMart** (+20%) all performed strongly, as did Vietnamese retailer **Mobile World Investment** (+26%).

We had two small short positions during the quarter, both of which made a modest positive contribution to performance. The AUD weakened during the quarter, providing a slight tailwind to AUD reported results.

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 SEP 2021	30 JUN 2021	30 SEP 2020
China	48%	43%	45%
India	10%	7%	9%
South Korea	9%	10%	13%
Hong Kong	7%	7%	8%
Taiwan	6%	5%	9%
Vietnam	5%	4%	3%
Philippines	2%	1%	1%
Singapore	1%	1%	0%
Macao	1%	1%	1%
Thailand	0%	1%	2%
Cash	11%	18%	9%
Shorts	0%	-9%	-4%

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

Net Sector Exposures of PAF

SECTOR	30 SEP 2021	30 JUN 2021	30 SEP 2020
Consumer Discretionary	20%	19%	26%
Financials	15%	13%	11%
Information Technology	14%	17%	23%
Industrials	14%	12%	3%
Real Estate	10%	9%	5%
Materials	4%	3%	3%
Communication Services	4%	2%	10%
Consumer Staples	2%	2%	3%
Health Care	2%	1%	1%
Energy	0%	0%	3%
Other	4%	-6%	-2%
TOTAL NET EXPOSURE	89%	72%	86%

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

Changes to the Portfolio

During the quarter we took advantage of the sell-off in **Tencent** and **Alibaba**, adding back to our positions in both of these Chinese internet powerhouses. While the market frets about regulation, we believe these headwinds are likely only modest drags on their respective businesses, and are more than priced in at this point, presenting an attractive opportunity to increase our exposure to their exciting emerging business areas, such as enterprise software as a service (SaaS), among others.

We also modestly increased our exposure to existing holdings **Noah** and **InterGlobe Aviation**. Noah is a leading domestic wealth management company in China, which provides first-class service for their clients. Over the long term, Noah should benefit as China's demand for financial advice and asset management continues to grow. The firm is led by an entrepreneurial group of founders who built the business into what it is today, and they retain a meaningful ownership position. InterGlobe Aviation is India's dominant low-cost airline, and we added to our holdings during the quarter as we believe investors still weren't fully appreciating how strong the company's position would prove to be once they emerged from the pandemic headwinds.

We continued to introduce new names into the portfolio across a range of areas. These have generally been businesses which we believe are well run and positioned to generate strong shareholder returns over the coming years. Many of these have tended to be medium-sized companies, and as such, our position sizing has tended to be more modest, reflecting the liquidity constraints inherent in such positions. While individually they are smaller holdings, the intention is to build up a collection of such ideas, to provide a meaningful contribution to the overall portfolio.

Top 10 Holdings of PAF

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	5.1%
Samsung Electronics Co	South Korea	Info Technology	4.6%
Tencent Holdings Ltd	China	Comm Services	3.9%
ZTO Express Cayman Inc	China	Industrials	3.8%
Vietnam Ent Investments	Vietnam	Other	3.7%
AIA Group Ltd	Hong Kong	Financials	3.5%
InterGlobe Aviation Ltd	India	Industrials	3.4%
Alibaba Group Holding	China	Cons Discretionary	3.4%
Weichai Power Co Ltd	China	Industrials	3.3%
Ping An Insurance Group	China	Financials	3.0%

As at 30 September 2021. See note 4, page 11.
Source: Platinum Investment Management Limited.

One example that fits in this category is **Yuan Longping**. Yuan Longping has a leading global position in hybrid rice seeds, as well as a strong position in the Chinese market for a range of other seeds, one of the most promising of which is their position in the fragmented domestic corn seed market. These seed varieties are critical to improving agricultural efficiency and protecting the crops against threats, such as insect infestations. Food security is a topic the government is acutely aware of, and as such, this is an area where foreign players have been somewhat restricted, while Yuan Longping benefits from research and development (R&D) support and collaboration with domestic universities. The company is also competitive internationally, with a footprint throughout Asia and South America. We believe the Chinese seed market is likely to continue evolving and consolidating, while Yuan Longping's strong portfolio of seed genetics should see them emerge as a winner throughout this process.

Another promising mid-sized company we introduced to the portfolio during the quarter was a firm which, among other things, provides software to the electrical grid. Their software helps the grid adapt to the increasingly variable supply and demand dynamics arising from intermittent renewable sources of energy, and a growing electric vehicle fleet.

Other new additions to the portfolio are exposed to thematics such as: tertiary education; aging populations; and a company which is applying cutting-edge artificial intelligence to healthcare.

To fund these purchases, we reduced the size of a number of positions that had performed relatively well, such as **Yum China**, **Samsung Electronics**, **Taiwan Semiconductor Manufacturing**, **Li Ning**, **Sunny Optical Technology** and **AIA**.

We also sold our holding in Thai retailing group **CP All** and completed the switch from Indian bank HDFC into **ICICI**, as discussed last quarter, in response to what we believe was an unwarranted large valuation differential.

Finally, we also introduced two new small short positions.

Commentary

China clearly spooked foreign investors last quarter. While a degree of caution is warranted, it is important to remember that the overall market in China has already sold off sharply and currently reflects a fair degree of negativity. In many parts of the market that are out of favour, it's not uncommon to see share prices already down 50%. We note this primarily to say, that in our minds, the opportunity to profit by panicking early has likely passed. At this point, on the balance of probabilities, we feel fears being priced into parts of the market are excessive and there is probably more money to be made on the long side than on the short. The media and pundits love playing on investors' emotions with charged commentary, posing questions like "is this China's Lehman moment?", or "is China uninvestable?". Such drama seems particularly unhelpful and largely serves to stoke what we suspect is unnecessary fear and confusion.

The primary issue hanging over the Chinese market for the past few months has been concern around the changing regulatory environment and a seemingly more interventionist government approach to the economy. Signs of the changing regulatory environment have been emerging over the past few years, with events such as restrictions on computer games, the halted initial public offering (IPO) of Jack Ma's Ant Financial, and anti-monopoly e-commerce investigations. These regulatory concerns reached a fever-pitch when, in July, the entire for-profit school tutoring sector was essentially told their businesses would have to cease. Then, as if to really drive the message home for investors, just days later, it became clear that China's dominant ride-hailing firm Didi was in trouble with regulators immediately following its IPO on the US market. Following these actions, investors started offloading Chinese shares and the market went into a tailspin.

Then Western media's concerns around property developer China Evergrande Group reared its head, and while that has driven a decline in certain property-related sectors, so far, the impact on the broader market from these concerns seems more contained – despite the occasional apocalyptic headline in the media. It's perhaps worth noting that Evergrande's challenges have been well known for a long time, this hasn't just come out of the blue. Their difficulties in making bond payments and rolling over financing has caused the current heightened scrutiny on the firm and likely signals that a resolution will be forced sooner rather than later.

On the regulatory side, it is clear that the environment has been changing and getting tougher. However, it is important to remember this is a business environment where, frankly, regulation was sorely lacking. While there has been the occasional more extreme or surprising regulatory action, we would contend the bulk of regulations have been fairly sensible and in line with what we are familiar with elsewhere. If you consider many of the anti-monopoly cases for example, the activities under scrutiny would never have been allowed to happen in most developed markets in the first place. Rather than the direction of regulation being particularly unusual, the biggest differences compared to Western markets is the speed with which regulators move and perhaps the more absolute nature of such edicts. Overall, the transition from minimal regulatory oversight to corporates having to behave and comply with laws, could be a bumpy transition, but we don't think the destination is necessarily one to fear.

Turning specifically to Evergrande, our expectation is that some banks and investors could well lose money here and some suppliers may end up taking a haircut on receivables as well. However, that said, it strikes us as unlikely this will prove to be an event that sparks mass contagion. It's worth remembering that the end consumer in China's property market still has a strong appetite for modern housing, and while mortgage debt has been increasing in the country, large down payments have been required for many years, so consumer leverage ratios are not excessively high. Providing assets can be liquidated in an orderly manner, from a system-wide perspective at this point, the event appears very manageable, although of course, only time will tell.

Given all the focus and fears around China, it is worth highlighting that major Chinese property and financial holdings account for around 15% of the Fund's assets. These are primarily in large companies, where our holdings could be liquidated quickly, should we decide that's the best course of action. At this point in time, however, our view is that market fears are overblown and we expect these holdings will likely deliver positive outcomes for investors. We would add that most of the Fund's assets are invested in other prospective opportunities around the region, and are not directly exposed to these more turbulent sectors.

Outlook

While China has recently been a source of concern for many and the economic environment there is softening in places, its shares have already been marked down sharply. As such, barring some extreme and unlikely scenario, we think it is reasonable for long-term investors to expect healthy investment returns from current levels.

It is important to remember that the stock market is a predictive machine, so as investors, we should benefit when people start to feel slightly more positive about the prospects for that country. And let's not forget, there are actually many reasons to remain optimistic about the long-term opportunity, not just in China, but across Asia more generally.

This remains a vibrant dynamic region, with well-educated and driven people, hungry to further improve their living standards. The opportunity for investors in Asia remains bright, and recent fears have led to correspondingly low relative valuations in parts of the region, creating a set-up which is looking increasingly attractive for those able to take the longer-term view.

Macro Overview

by Andrew Clifford, Co-Chief Investment Officer

We have taken a different approach to our Macro Overview this quarter, adopting a 'Q&A' format, with investment specialist Douglas Isles asking CEO and co-CIO Andrew Clifford the key questions on many of our investors' minds, covering China regulation, income inequality/redistribution, rising inflation and what it all means for global markets. An edited transcript of the conversation is below and the full interview is available on The Journal page on our website.

DI: It's been a very eventful quarter, particularly in China. With your 30+ years of experience investing there, can you provide some context?

AC: I think one of the issues that people struggle the most with in regards to China is the idea of government interference in the economy. There's been a lot of discussion, not just in the last three months but over the last several years, about China returning to a command economy. This is in stark contrast to the China that I know and have invested in. From my experience, China is one of the most market-based economies in the world, and indeed, that is the reason for its enormous success.

Over the last decade we have seen a period of constant regulation coming into what is just a very fierce market environment. Probably the most important of these was the reform of the shadow banking system. Entrepreneurs and banks were finding loopholes in the regulations that had been introduced to restrict the funding of activities such as property development. In response, the government implemented new rules to clamp down on that behaviour, and slowly all those assets and liabilities have been brought back onto bank balance sheets.

In recent times, there's been a lot of focus on the regulation of the tech sector, but most of it is not that different to what we're seeing in the rest of the world. Europe, for example, introduced restrictions on the use of private data by e-commerce companies. The Chinese regulators are incredibly sophisticated in their approach to regulation, they study best practice around the world. Where they feel that free markets have gone too far, they introduce rules, which for the most part are very much modelled on the European approach.

DI: It seems that every time there is a reform program in China, the rest of the world reacts badly to it, why do you think that's the case?

AC: It's important to remember that in China there is a different process to enact change. For us to implement new rules around the use of data or controlling the behaviour of large e-commerce or social media companies, it would be a drawn-out process and there would be significant pushback, like what we saw in Australia with media for example. Similarly, in the US, the Federal Trade Commission case against big tech companies is likely to be a protracted affair. However, in China, it's quite the opposite, the rules appear to change 'overnight'. While the process may be different, the political motivation is not that different from ours. These changes are being made because people are unhappy with the behaviour of big tech in China, just as they are elsewhere.

DI: Property developer Evergrande received considerable media attention over the quarter. The property market in China has been an area of scrutiny for many years, what are your thoughts?

AC: We don't own Evergrande in any of the Platinum portfolios. Its issues were widely known, and while it is naturally unsettling for investors, we don't believe it will be a systemic event. At Platinum, we talk a lot about the role of cognitive biases in investing and the need to go beyond our intuitive responses, or our System One thinking as Daniel Kahneman would put it, and move to System Two thinking, where we really try to understand the realities of the situation. There has long been this story about the great Chinese property bubble, but let me share some numbers. Over the last decade, in the six largest cities, residential property prices increased in the order of 8-10% p.a. In the tier two and tier three cities it was much lower at around 4-5% p.a. Now, 8-10% p.a. is a big appreciation over that timeframe, but this needs to be seen in the context that nominal GDP growth in China is around 9% p.a. Additionally, you need to consider who's buying property in China, it's not the average household, it's the wealthy households and their incomes are growing even faster than that.[1]

There is also a lot of focus on the number of apartments that are being built, and yes, since private ownership of property was allowed in 1999, about 200 million apartments have been built. But you have to remember that's the entirety of the modern housing stock in China, because everything else prior to these newbuilds was pretty much communist-era housing. So, given there are around 300 million urban households and 900 million people living in urban areas, we haven't even built enough modern housing stock yet.[2]

We hear a lot of talk about the 20% of apartments that are sitting empty, but in China, investment properties typically aren't rented out because the laws are quite harsh against landlords. Interestingly, in Australia, at any point in time, around 10% of our homes are unoccupied and I'm not talking about home rental vacancy, these are properties owned by people who own more than one home and leave them unoccupied.[3]

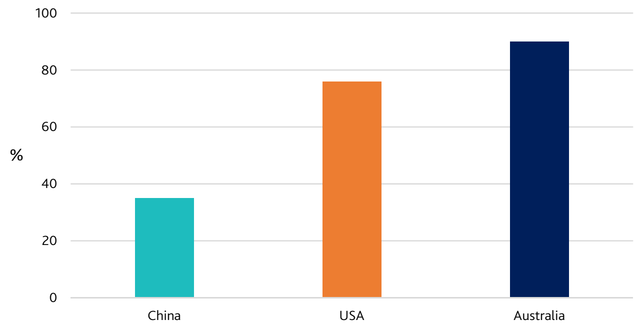
I would add that it's actually been difficult to get a property loan in China in recent years. A 30% deposit is required to buy a first property and 50% for a second. Mortgages have grown very quickly from being almost non-existent a decade ago, to be around 35% of GDP, which is well below what pure mortgage debt is in Australia or the US.

Property is a booming and important part of the Chinese economy, but if house prices get out of control, it becomes a political issue. It's a well-founded market, not a bubble by any standards that I can see.

DI: When the ultimate goal of the government is one of "common prosperity" is it fair to say that housing is front and centre for that?

AC: Absolutely. For the last decade there's been continued efforts to keep property prices down. The sentiment that "property should be an end-user asset not a speculative asset" is often attributed to President Xi Jinping, but this was around long before he was President. China has the same problem that the rest of the world has on that front. I think the real issue here for the world economy is that the latest regulations are trying to control not just the price that property is sold at, but also the price that developers pay to acquire land to develop properties. It's a thoughtful approach to my mind, as it is essentially trying to regulate property development in a similar fashion to how utilities, such as electricity or gas businesses, have been regulated over the years. While there is a risk that this approach may not be successful in a market like property development, with developers already stepping back from buying land and property buyers now nervous, I think the concern of any great disaster is overstated. Past experience tells us that as soon as the Chinese authorities take their foot off the brakes, even in the slightest way, buyers come flooding back in, and if it gets to that stage, that's what I would expect here as well.

Fig. 1: Pure Mortgage Debt as % of GDP, 2020



Source: PBOC (China); Federal Reserve Bank of St. Louis (USA); Business Insider Australia, OECD (Australia). As at Q4 2020.

DI: Over the last decade there has been a clamp down on corruption, supply side reform, financial reform, and now "common prosperity". On balance, do you think they have done a reasonably good job for China over that period?

AC: When you look at the government's approach to introducing thoughtful, sensible regulation and rules in their economy, I think they've done an extraordinarily good job. As I said earlier, a lot of it is modelled on what the rest of the world does and I think there's nothing to be feared there. The recent event where they basically banned after-school tutoring due to cost concerns, is a bit more of an extreme measure, but again, they're very important social issues the government is reacting to, just like a democratically elected government would react to important popular issues.

DI: Let's now look at the rest of the world, particularly the other large economy, the US. Inequality is something that the Chinese and US governments are both trying to address, can you reflect on how it's being approached in the US and what the implications might be for investors?

AC: I think that income disparity is behind a great deal of discontent across much of the world. In the last decade or so, people keep referring to the world being in a low-growth environment, but that's actually not the case. The world economy grew pretty much the same rate in the decade from

1 Source: CSLA; FactSet Research Systems.

2 Source: CSLA; State Council of the People's Republic of China.

3 https://www.abc.net.au/news/2021-04-14/house-prices-australia-climbing-not-for-the-reason-you-think/100065644

2010-2020 as it did in the prior decade, but what has changed is the disparity of income, with lower-income groups clearly not doing as well as the top 20 or 40%.

Ultimately, everyone gets a vote and it then becomes an issue. I think one of the really interesting things the pandemic has shown politicians is that a lot of the payments, such as JobKeeper and JobSeeker in Australia, which have been introduced or increased during the pandemic, have clearly helped lower-income households far more than the average. And with that, I think politicians have seen the benefit of redistributing income toward lower-income groups. China faces the same issue. In fact, there are far more extremes between those who have benefited from China's prosperity than those who haven't. The call for "common prosperity" is thus one of redistributing income through the economy.

A number of years ago, we wrote about the huge benefit to economic growth of putting $100 in the hands of lower-income households vs. high-income households through tax cuts. The latter group will most likely save it and buy another property or more shares. The lower-income households on the other hand, will most likely spend it on basic necessities. On that basis, I think it would be very good for global growth if we get some degree of income redistribution that is being discussed across the world.

DI: On the topic of economic growth, inflation is a hot topic right now for markets, what are your thoughts on that front and expectations for interest rates?

AC: As we've been talking about for some time, the creation of money through quantitative easing and funding government deficits this way is unquestionably inflationary. For a long time, inflation has mainly appeared in asset prices, the stock market, private equity infrastructure assets and house prices, which has been much more extreme in the past 18 months. But now we are seeing inflation in goods and services. There's always a lot of discussion of whether this bout of inflation is due to temporary shortages. As we mentioned in our June quarterly report, the market economy is good at dealing with temporary shortages. We have seen this in iron ore and lumber where there were huge price increases and then for one reason or another, supply adjusted and the prices retreated. But we're also seeing many 'sticky' prices. We can't get enough semiconductors to meet motor vehicle demand currently or a whole range of other projects that require semiconductors. The cost of shipping a container from Shanghai to Los Angeles is up six-fold or so. Gas prices are up four- or five-fold in Europe and thermal coal prices have pretty much doubled in recent months.[4] So, there are price increases coming through everywhere. Adding to the mix, is a shortage in labour at a time when the jobs market is as strong as we've ever seen, which is a bit odd given that we're still not fully out of the pandemic, but this is what all the numbers tell you. We are seeing companies raise prices at record rates. There is also anecdotal evidence, with UK gas bills, for example, doubling in the last couple of months. This is going to cause real pain in households, not to mention rising rents, so we have a real problem here and it's a question of how it unfolds.

While central banks are all saying they won't raise interest rates soon, we shouldn't pay too much heed to that, because their whole role is to set our expectations, and they will increase rates when they see fit. This poses a real dilemma though. People are going to start struggling to pay their bills following these price moves. How will governments respond? Will they spend even more money and announce yet another round of rescue packages, which are inflationary again? I think the end destination here, one way or the other, is interest rates are going up and there's a risk this happens earlier than many expect.

DI: How do you think this changing interest rate dynamic will play out in the markets? Will we see a reversal of fortunes in stocks?

AC: The beneficiaries of cheap money and inflation in asset prices have been the sectors that everyone is so excited about in the stock market, the so-called 'disruptors'. Consequently, there's been plentiful buyers of their shares and some crazy valuations of private companies that are raising capital at 20, 30 or 40 times their revenue. Yes, they are great companies and are growing fast, but many are losing money. The point is that they can only keep the game going while there are investors who are willing to fund them, and in many cases these investors are their own employees who are paid in stock. It's hard to go a day without hearing about a new start-up developing software to solve problems for companies or individuals. There's huge competition for the corporate IT budget or your personal budget to spend on all these things. That is the area, where the combination of valuations and the fact that they need money to keep going, that is a big risk for investors. It won't be a good place to be when the music stops.

On the other hand, there's a whole other part of the economy that people haven't wanted to fund, high-quality businesses at the centre of the future growth areas of the economy. Semiconductor companies like Microchip, for example, who makes microprocessor units used in electrical switches for a whole range of items, from microwaves to car windows. This is a very profitable business and it's growing because there's increasing demand for its products. Over

4 Source: https://tradingeconomics.com/; https://www.cnbc.com/2021/10/05/gas-price-surges-to-a-record-high-in-europe-on-supply-concerns-.html

time, as electronics usage increases, we will need more of their products. But here is a company that's unable to deliver enough product to meet the demand in the auto industry, due to under-investment. And this has been a theme across a range of sectors for the last decade. This includes commodities like copper, for example, a vital component for all manner of things, such as electric vehicles (EVs). The world's going to need an extraordinary amount of copper, but there hasn't been any significant investment in finding new reserves for seven or eight years.

So, to me, the other side of all this capital that has been invested in the new, exciting and innovative areas is that there's some really interesting, growing businesses that haven't been able to access capital, who now find themselves in a very nice position where their product is in demand and they're able to exercise good pricing power simply because of shortages.

DI: What do you think will ultimately make the 'music stop' so to speak?

AC: If you are looking for a catalyst, I think the most obvious is interest rates. While we are now seeing bond rates trending up again, we all struggle to ever be very precise in knowing when central banks will change official interest rates.

As an investor, I believe it's important to build a portfolio of stocks that are well positioned in terms of the markets they're in. I have given the example of Microchip, but in autos, we have BMW or Toyota, who are both very well positioned for the EV world. There are other themes too, such as travel, which is also a growth industry. Many travel stocks are very high-quality businesses, whether it's the online travel agents like Booking Holdings or Trip.com, which is the Chinese equivalent, or aerospace companies like General Electric, Safran and MTU Aero Engines, who are involved in the production of engines for aircraft - and again, based on the rate at which aircraft orders are coming in, we're potentially not going to have adequate capacity to produce enough engines. There's a whole array of opportunities out there and you need to buy each knowing what they can earn in a good period and assess against that.

MSCI Regional Index Net Returns to 30.9.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	**-1.1%**	**27.4%**
Developed Markets	**0.0%**	**28.8%**
Emerging Markets	**-8.1%**	**18.2%**
United States	**0.3%**	**29.9%**
Europe	**-1.2%**	**28.0%**
Germany	-4.3%	16.5%
France	-2.0%	34.3%
United Kingdom	-0.3%	31.2%
Italy	-1.1%	33.4%
Spain	-3.3%	31.4%
Russia	9.5%	59.4%
Japan	**4.6%**	**22.1%**
Asia ex-Japan	**-9.3%**	**14.4%**
China	-18.2%	-7.3%
Hong Kong	-9.4%	15.0%
Korea	-13.2%	27.8%
India	12.6%	53.1%
Australia	-3.0%	31.7%
Brazil	-20.2%	21.0%

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 30.9.2021 (USD)

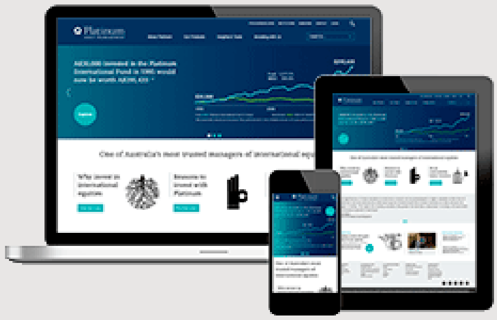
SECTOR	QUARTER	1 YEAR
Energy	2.8%	63.9%
Financials	1.9%	49.6%
Information Technology	0.5%	30.3%
Health Care	0.2%	18.3%
Utilities	-0.2%	10.1%
Real Estate	-1.8%	22.2%
Consumer Staples	-2.1%	10.2%
Industrials	-2.1%	27.3%
Communication Services	-2.6%	28.9%
Materials	-5.0%	26.8%
Consumer Discretionary	-5.2%	17.6%

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 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:

- **Article - Biotech: Driving Another Decade of Change in Healthcare.**[1] Record funding and the entry of a 'new breed' of players, thanks to the wonders of AI and computer power, is driving considerable transformation in the biotech industry. Portfolio manager Dr Bianca Ogden explains how this is changing drug discovery and what it means for the existing players in the sector.
- **Article – Market Update: 22 September 2021.**[2] CEO and co-CIO Andrew Clifford provides his thoughts on Chinese property developer Evergrande and why the issue is unlikely to be systemic.
- **Video – Platinum Market Update.**[3] Co-CIO and co-portfolio manager for Platinum's global strategies, Clay Smolinski and co-portfolio manager for our Asia ex-Japan strategies, Cameron Robertson provide a market update, covering the ongoing economic recovery and evidence of inflation, recent Chinese regulatory activity, and the pockets of wild excess evident in specific markets.
- **Article – The History of Money and its Role in the Modern World.**[4] Investment specialist Julian McCormack delves into the origins of money over many centuries. It's a fascinating look at history and makes one realise just how the form and function of money has shifted over time. With inflation creeping up and extraordinarily large budget deficits that need to be funded at some point, we suspect that change is afoot.
- **Article - China: Time to Run or Time to be Bold?**[5] Recent activity from Chinese regulators and the response from markets is testing the resolve of investors. With over 30 years' experience in covering and investing in the country, our assessment is that this presents another opportunity to upgrade portfolios by retaining a longer-term outlook – and we are actively looking to do so.

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1 https://www.platinum.com.au/Insights-Tools/The-Journal/Biotech-Driving-Another-Decade-of-Change-in-Health
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Market-Update-22-September-2021s
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Webinar-%E2%80%93-Platinum-Market-Update
4 https://www.platinum.com.au/Insights-Tools/The-Journal/The-History-of-Money-and-its-Role
5 https://www.platinum.com.au/Insights-Tools/The-Journal/China-Time-to-Run-or-Time-to-be-Bold

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).

The Platinum Investment Bond ("PIB") is an investment bond issued and administered by Lifeplan Australia Friendly Society Limited ABN 78 087 649 492 AFSL 237989. "PIBPAF" refers to the Platinum Investment Bond - Platinum Asia Fund (APIR code: LIF7284AU), one of the underlying investment options of the Platinum Investment Bond. "PAF" refers to the Platinum Asia Fund (ARSN 104 043 110), the underlying fund into which the PIBPAF invests.

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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