



Platinum Asia Investments Limited Quarterly Investment Manager's Report

30 June 2020



Platinum[®]

ASIA INVESTMENTS LIMITED

ABN 13 606 647 358

Investment Update

by Joseph Lai, Portfolio Manager

Performance

(compound p.a.* to 30 June 2020)

| | QUARTER | 1 YEAR | 2 YRS | 3 YRS | SINCE INCEPTION |
|--------------------------------------|---------|--------|-------|-------|-----------------|
| Platinum Asia (PAI) | 7.0% | 14.6% | 7.0% | 10.7% | 9.7% |
| MSCI AC Asia ex-J Index [^] | 3.8% | 3.6% | 4.2% | 7.4% | 9.2% |

PAI's returns are calculated using PAI's pre-tax net tangible asset (NTA) backing per share as released to the ASX monthly. PAI's returns are calculated after the deduction of fees and expenses, have been adjusted for taxes paid and any capital flows, and assume the reinvestment of dividends.

PAI's returns are not calculated using PAI's share price.

Portfolio inception date: 15 Sep 2015.

* Excluding quarterly returns.

[^] Index returns refer to MSCI All Country Asia ex Japan Net Index in AUD.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited for PAI's returns; FactSet Research Systems for Index returns. See note 1, page 11.

Net Tangible Assets

The following net tangible asset backing per share (NTA) figures of Platinum Asia Investments Limited (PAI) are, respectively, before and after provision for tax on both realised and unrealised income and capital gains.

| | PRE-TAX NTA | POST-TAX NTA |
|---------------|-------------|--------------|
| 31 March 2020 | \$1.1082 | \$1.0969 |
| 30 April 2020 | \$1.1281 | \$1.1210 |
| 31 May 2020 | \$1.1046 | \$1.1046 |
| 30 June 2020 | \$1.1713 | \$1.1513 |

Source: Platinum Investment Management Limited.

In Brief:

- Global equity markets staged an extraordinary rally over the quarter despite the global economy only just starting to recover from the depths of the largest economic setback in modern economic history.
- After a volatile start to the year, it was an exciting quarter for PAI, which was well positioned for a market recovery after weathering the steep sell-off earlier in the year.
- Stocks in PAI are predominantly strong Asian companies that we believe will likely be resilient in an obviously difficult environment. Reliance Industries (+55%), LG Chem (+61%) and Sea Ltd (+96%) were key contributors to performance. Stocks benefiting from a recovery in Chinese domestic tourism also performed well, including China International Travel Service (+129%) and Huazhu (+22%).
- Starting valuations are a key determinant of future returns. Asian stocks are currently trading on low valuations versus their long-term averages and economic prospects for the region are favourable.
- Our bottom-up process is hard at work, generating numerous prospective ideas. It is an exciting time for investors like us, as attractive valuations coincide with significant capacity for further policy stimulus in Asia.
- PAI will continue to deploy capital in attractive and strong businesses that are under-appreciated by the markets.

PAI returned 7.0% for the quarter and 14.6% for the year.¹

After a volatile start to the year, it was an exciting quarter for PAI, which was well positioned for a market recovery after weathering the steep sell-off earlier in the year.

At the beginning of the quarter, the narrative around “flattening the curve” was well understood. Post the lockdown, returning to work has rejuvenated economic activists. This, coupled with aggressive monetary and fiscal loosening, ignited a truculent rebound in equities.

Stocks in the portfolio are predominantly strong Asian companies that we believe will likely be resilient in an obviously difficult environment. **Reliance Industries** (4G operator in India transforming itself into an internet platform) was up 55% over the quarter in local currency terms.

LG Chem (premier electric vehicle battery manufacturer in South Korea) was up 61% and **Sea Ltd** (internet games and e-commerce player in South East Asia) was up 96% from our entry point to exit point during the quarter. Stocks that are benefiting from a recovery in Chinese domestic tourism also performed well, with **China International Travel Services** (duty free operator) up 129% and **Huazhu** (leading hotel operator in China) up 22%.

The significant recovery in the Australian dollar detracted from our local currency return during the quarter.

Changes to the Portfolio

At the beginning of the quarter, we significantly added to our long exposures, increasing PAI's net invested position from 64% in early April to above 90% by mid-April. Given the myriad of prospective ideas on offer, PAI will seek to deploy cash when the risk/reward is right.

After the share price declines in the March quarter, Asian markets were trading on a significant discount versus their average long-term valuations for very well understood reasons. It would have been remiss not to take advantage. Accordingly, we added to new and existing positions that were on offer at mouth-watering valuations. These are strong businesses backed by good management and healthy balance sheets that we believe will do well upon reopening and over the longer term, irrespective of geopolitical tensions. We discuss some of these opportunities in the Commentary section below.

¹ References to returns and performance contributions (excluding individual stock returns) in this Platinum Asia Investments Limited 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[^]

| COUNTRY | 30 JUN 2020 | 31 MAR 2020 |
|-----------|-------------|-------------|
| China | 52% | 51% |
| Korea | 12% | 8% |
| Hong Kong | 9% | 6% |
| India | 8% | 4% |
| Taiwan | 8% | 7% |
| Vietnam | 2% | 2% |
| Thailand | 2% | 0% |
| Macao | 1% | 0% |
| Cash | 5% | 22% |
| Shorts | -17% | -10% |

[^] With effect from 31 May 2020, our country classifications for securities were updated to reflect Bloomberg's "country of risk" designations. These changes have been backdated to prior periods.

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

Net Sector Exposures

| SECTOR | 30 JUN 2020 | 31 MAR 2020 |
|------------------------|-------------|-------------|
| Consumer Discretionary | 31% | 27% |
| Information Technology | 21% | 17% |
| Communication Services | 11% | 9% |
| Financials | 8% | 8% |
| Consumer Staples | 6% | 4% |
| Energy | 4% | 3% |
| Real Estate | 4% | 2% |
| Materials | 4% | 1% |
| Industrials | 3% | 3% |
| Health Care | 2% | 2% |
| Utilities | 0% | 0% |
| Other | -15% | -8% |
| TOTAL NET EXPOSURE | 78% | 68% |

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

For further details of PAI's invested positions, including country and industry breakdowns and currency exposure, updated monthly, please visit www.platinumasia.com.au.

Towards the end of the quarter, index shorts were tactically added to protect a portion of the portfolio, given the increasing prospect of a second wave of COVID-19 in certain countries, reducing PAI's net invested position to 78% by 30 June. We are of the view that while longer-term fundamentals are still attractive, there is a possibility of shorter-term adjustments, given how far the markets have rallied thus far. This position will be reviewed regularly as fundamentals and market conditions change.

Commentary

With COVID-19, lockdowns, rising geopolitical tensions and protests in different parts of the world, prospects look rather grim. However, it is in these times that attractive investment opportunities emerge. Having lightened our exposure to sidestep the bulk of the stock market turbulence a quarter ago, PAI shifted its focus to identifying prospective investment opportunities that had seen their valuations slashed given the overwhelming fear that gripped the market.

The investment methodologies that we have always employed are proving to be effective during this time of turbulence. When the market was seeking to sell, we took the opportunity to reverse our shorts. When the valuations of some amazing companies were depressed, we spent our time picking through them meticulously to add to our portfolio.

Our view is that our time-tested investment methods are particularly well suited to these turbulent times and strong companies in Asia are attractively valued given the favourable economic prospects they are facing.

Net Currency Exposures⁺

| CURRENCY | 30 JUN 2020 | 31 MAR 2020 |
|-------------------------|-------------|-------------|
| Chinese yuan (CNY) | 52% | 51% |
| US dollar (USD) | 15% | 12% |
| Korean won (KRW) | 12% | 8% |
| Hong Kong dollar (HKD) | 9% | 10% |
| Taiwan dollar (TWD) | 4% | 6% |
| Thai baht (THB) | 2% | 1% |
| Vietnamese dong (VND) | 2% | 2% |
| Macao pataca (MOP) | 1% | 0% |
| Indian rupee (INR) | 1% | 0% |
| Singapore dollar (SGD) | 0% | 1% |
| British pound (GBP) | 0% | 0% |
| Australian dollar (AUD) | 0% | 10% |

⁺ With effect from 31 May 2020, our currency risk exposure classifications for securities were updated to match the relevant local currencies of the relevant Bloomberg "country of risk" classifications. These changes have been backdated to prior periods.

See note 4, page 11. Numerical figures have been subject to rounding.

Source: Platinum Investment Management Limited.

The key pillars of our approach are:

- **We take a long-term view and ignore short-term noise.** We consider how businesses or industries will evolve in three to five years. When one looks far ahead, the picture becomes considerably clearer.
- **We adopt a contrarian approach.** Being open to out-of-favour opportunities, when there is a great deal of fear in the market, can often be the best opportunities.
- **We generate insights.** With great insights, we can overlook the market's current dislike of a stock and make a more accurate assessment of the future potential of a business. Insight also reduces the chance of falling into a value trap and buying companies just because they are cheap. We strive to balance the potential upside with potential risks.

Good bottom-up work requires us to think about companies as if we were business owners, so that we can interpret the nuances correctly, given the vast amount of information available. Each stock idea needs to be interrogated by an experienced team of investors who have been doing this for a long time.

Our bottom-up approach helped us to manage the portfolio effectively during the March quarter COVID-related market volatility. Our insight was that only a few countries would be spared from going into lockdown, resulting in a collapse in economic activity, which the market was being too complacent about. We took an aggressive approach to

Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|-------------------------|-----------|--------------------|--------|
| Tencent Holdings | China | Comm Services | 7.0% |
| Samsung Electronics Co | Korea | Info Technology | 6.0% |
| Taiwan Semiconductor | Taiwan | Info Technology | 5.7% |
| Alibaba Group Holding | China | Cons Discretionary | 5.3% |
| AIA Group Ltd | Hong Kong | Financials | 4.8% |
| China International | China | Cons Discretionary | 4.4% |
| Reliance Industries Ltd | India | Energy | 3.8% |
| LG Chem Ltd | Korea | Materials | 3.6% |
| Midea Group | China | Cons Discretionary | 3.0% |
| Huazhu Group ADR | China | Cons Discretionary | 2.9% |

As at 30 June 2020. See note 5, page 11.

Source: Platinum Investment Management Limited.

shorting by moving PAI's net invested position from around 90% at the beginning of the year to mid-50% by the end of February.

This approach also helped us to identify various key themes and stock ideas when it was the right time to buy.

Key themes and examples:

1. **Digitalisation of Indian consumers:** Reliance Industries was traditionally an oil refiner and petrochemical producer. Over the last 10 years, it has built the biggest 4G network in India, growing its user base from zero to around 400 million in just four years.² The company recently embarked on an ambitious journey to link online and offline shops to Indian consumers via the smartphone. Facebook, for instance, is working in partnership with **Reliance** to link WhatsApp users to grocery stores. In fact, Facebook was so excited about the opportunity that it invested ~US\$6 billion in Reliance's telco business, Jio Platforms. We added significantly to Reliance during the recent market sell-off, before Facebook invested in this highly prospective asset.
2. **Camera lenses for mobile handsets:** Cameras on mobile handsets are a key selling point these days. Smartphone component makers have been out-of-favour with the market because of flat smartphone sales growth. A huge camera upgrade cycle is, however, giving us cause for excitement. Video conferencing has highlighted the importance of having a good camera. We are seeing more camera modules installed in these phones and the resolution of these modules is also getting upgraded. As the number of megapixels and camera modules per device increases, the lens companies are expected to start growing again. **Sunny Optical Technology** (China) and **Largan Precision** (Taiwan) are the dominant lens and camera suppliers to mid- and high-end smartphones. We have taken the opportunity to add to these positions during market weakness.
3. **Food delivery:** Food delivery has been growing but many investors have shunned this sector due to profitability concerns. Our insight on this sector is that food delivery is the extreme version of "economics of the last mile". Food must be delivered to the customer within 30 minutes in China. A dense network of customers means that more meals can be delivered each run. More deliveries per run, means higher profitability. China has two food delivery operators, **Meituan Dianping** and Ele.me. Meituan has a dominant market share, giving it a significant cost advantage that is insurmountable by the smaller players. With Meituan's food delivery business growing by more

than 30%,³ we expect this advantage to skyrocket. This dynamic is under-appreciated by the market. We are happy owners of Meituan.

These companies are leaders in their fields because they have invested billions of dollars in research and infrastructure over many years. They have invested in their long-term future and kept investing while others cut their research budgets and focused on buying back shares or paying out dividends.

Apart from the companies highlighted above, we also own companies like **AIA Insurance**, **LG Chem** for EV batteries, **Samsung Electronics**, **Taiwan Semiconductor Manufacturing**, **Trip.com**, **JD.com** and **ZTO Express**. All these companies have invested diligently and wisely to secure their leading positions in their respective fields.

Outlook

Starting valuations are a key determinant of future returns. Asian stocks are currently trading on low valuations versus their long-term averages and news headlines can be worrisome.

Economic prospects for the region are, however, favourable. The lack of stimulatory policies implemented thus far has given many countries in the region room to enact policy stimulus if needed. The reversal of lockdowns is kickstarting economic activities from depressed levels across the region as people return to shops and back to work. Development of a vaccine appears to be progressing. Given lacklustre growth globally, monetary and fiscal policies are likely to remain loose, which is supportive of stock markets.

Our bottom-up process is hard at work, generating numerous prospective ideas. The difficulty now, is ranking which ones are the greatest prospects, rather than searching the list for potential gems. It is an exciting time for investors like us, as attractive valuations coincide with significant capacity for further stimulation in Asia.

PAI will continue to deploy capital in attractive and strong businesses that continue to be under-appreciated by the markets.

² Source: Reliance Industries.

³ Source: Meituan Dianping 2019 Annual Report.

Macro Overview

by Andrew Clifford, CIO, Platinum Investment Management Limited

Stimulus Fuels Breakdown Between Markets and Economic Reality

The global economy has only just commenced its recovery from the depths of the largest economic setback in modern history, yet stock markets have bounced strongly from their mid-March lows to be just 5%-15% below their pre-COVID-19 levels. This extraordinary recovery in stock markets stands in stark contrast to other periods of economic weakness, such as the global financial crisis (GFC), where even five years later, markets had not recovered to their previous highs.

The market's response can most likely be attributed to the enormous monetary and fiscal measures taken by governments and central banks around the world. This leads to the obvious question, what happens next?

While we can identify attractive opportunities in individual stocks as a result of the market collapse, **for the moment, significant uncertainty around future economic activity, together with high stock market valuations, are good arguments for investors to retain a cautious stance.**

As lockdowns are lifted, economies will experience a strong 're-opening bounce', but a full recovery is likely to be at least three to five years away. As we noted in our March 2020 quarterly report,¹ the economy is "real" and labour is a key "factor of production". If people are restricted from going to work, then activity will fall. As such, we concluded, "economic activity will stop falling and start to recover when people can return to work".

It is not surprising that we are seeing signs of a strong initial recovery. The question is, how close does this initial recovery get us to where we were before? Again, as we noted last quarter, after the GFC, which was a mild downturn by comparison, the US took three years to return to prior peaks in activity, Japan took five years and Europe took seven years.

We expect the recovery to take some time to play out again for the following reasons:

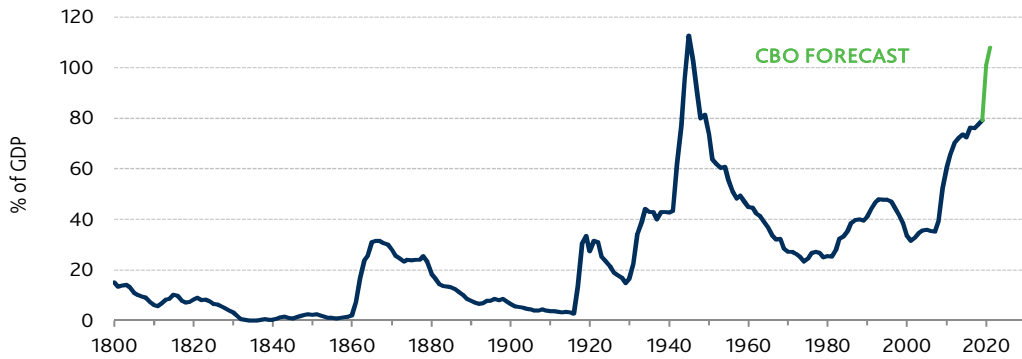
- Firstly, small- and medium-sized enterprises, by and large, tend to live on the edge of viability at the best of times. Many that have had to close their doors will struggle to return, especially if they have significant fixed costs, such as rent, that still need to be covered. To date, government programs in many countries (such as the JobKeeper Payment Scheme in Australia) have aimed to keep these businesses afloat and their employees paid. It is likely that, as the reopening proceeds, many of these businesses will fail, and while their employees are ready and able to return to work, they will not have jobs to return to.
- There are also some industries where the recovery will be slower, as government restrictions on the movement of people persist, or potentially changes in behaviour triggered by the lockdown, result in reduced demand for some services.
- Finally, the recent acceleration in COVID-19 cases in parts of the US and elsewhere, raises concerns about the impact of a second wave of infections. Whether this results in a return to lockdowns or not, it is likely to suppress consumer and business confidence. Further, the spread of the virus remains uncontained in much of the developing world, with significant expansion of cases in the important economies of India and Brazil.

Once the initial re-opening bounce has occurred, it is likely that unemployment levels will remain significantly elevated relative to the pre-COVID period. Market forces will see excess labour eventually absorbed by an ongoing recovery and new jobs will be created, but it will simply take time. While the development of a vaccine will accelerate the recovery, allowing certain industries to return more quickly, it is still likely that a return to prior peaks in economic activity will be measured in years.

It is almost certain that governments will continue to implement additional monetary and fiscal measures to support an economic recovery, but there are limits on what can be achieved.

¹ https://www.platinum.com.au/PlatinumSite/media/Reports/paiqtr_0320.pdf

Fig. 1: US Public Sector Debt/% GDP



Source: Minack Advisers and US Central Budget Office (CBO)

Ultimately, the potential of any economy is limited by the “real” resources of labour, capital (being the plant and equipment in our factories, data centres and offices) and land (not just shopping malls and office blocks but also agriculture and mining). The government cannot create new productive capacity, it can only redirect existing resources, but during periods when the resources of the economy are not fully employed, it may make sense for them to do so. In recent months, government benefits have allowed the newly unemployed to buy groceries and pay their bills, reducing the impact of their loss of income on the economy. However, government spending represents a transfer of wealth from another sector of the economy – as governments need to fund their spending.

Traditionally, governments have funded their expenditure by taxing the private sector (households and businesses) or by borrowing money from the private sector and then taxing that very same private sector in the future, to repay the loans. However, in recent years, either directly or indirectly, as a result of quantitative easing policies by central banks, governments have been effectively borrowing from the central bank. Without delving into a treatise on money and credit, in simple terms, the central bank is creating new money that ends up in the hands of governments, who use it to pay their bills.²

² This is a gross simplification of the underlying mechanics of money creation and quantitative easing, and the relationship with government spending over the last decade, but should suffice for the purpose of this discussion.

Normally, economists would argue that this is inflationary, and that it represents a tax on anyone who holds cash. It hasn't quite unfolded that way though, with the consumer price index (CPI) in most economic systems remaining subdued over the past decade. You might observe, however, the loss of purchasing power in your savings by noting the inflation in assets, such as residential property, or the lack of a decent return on your term deposits.

On face value, the financial alchemy of quantitative easing has been an apparent success. Over the last decade, central banks, hand-in-hand with their governments, have been able to resolve problems in their financial system, see their economies recover and maintain low interest rate regimes, without even the slightest appearance of this money creation being inflationary (unless you have an eye on asset prices). This same financial alchemy has been front and centre in the funding of government spending in response to the current crisis. So far so good, with respect to placing spending power into the hands of many of those in need and the maintenance of low interest rates, again with no obvious signs of inflation (other than in asset prices).

Undoubtedly, governments will continue to push on with central banks funding their spending if economies do not recover quickly. Presumably though, there are limits on this approach. When considering the rapid increase in government debt around the world in recent months, it certainly gives rise to a question of sustainability. Fig. 1 illustrates the extraordinary increase in US federal government debt as a percentage of GDP. The US Central Budget Office (CBO) is forecasting the level of indebtedness to rise to near World War 2 levels by 2021.

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 or conversely, the global economy enters a period of Japanese-style deflation, as governments crowd out the private sector.

The creation of new money that has arisen from recent monetary and fiscal policies is highly likely to have been a major contributor to the unprecedented rebound in stock prices from the March lows.

Well known economist, Milton Friedman observed that, "Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output". Today, in the US, M2 (one measure of the amount of money in the financial system) is rising by a record annual rate of 25%³ (see Fig. 2), while economic output has collapsed. Of course, we haven't been able to observe inflation in the traditional CPI that focuses on goods and services, as most are in excess supply in this downturn. Where we have been able to clearly observe inflation though, is in asset prices, particularly in bond markets (higher bond prices are the other side of falling interest rates) and parts of the stock market.

As this new money has washed around the system, it has found its way to the shares of companies that are perceived to be immune, or that have even benefited from the economic collapse. Many of these companies have stock prices near, even well above, their pre-COVID stock prices. In some cases, companies have benefited from the lockdowns,

3 M2 includes M1 (currency and coins held by the non-bank public, checkable deposits, and travellers' cheques) plus savings deposits (including money market deposit accounts), small time deposits under \$100,000, and shares in retail money market mutual funds. Year-on-year, as at 22 June 2020. Source: <https://fred.stlouisfed.org/series/M2#0>.

notably, e-commerce players that have seen an increase in the use of online shopping and other services (as discussed by our portfolio manager, James Halse in the article, *Will the Pandemic Change our Spending Habits Long Term?*⁴). Undoubtedly, the enthusiasm of investors for many of these companies is justified, in the sense that they have strong positions in their markets and look set to grow for many years to come. However, when this assessment of their prospects is then amplified by excessive money creation by central banks, **the outcome is that stock prices have moved well beyond what can be justified, given even the brightest assessment of their futures.**

If our analysis of the situation is correct, the risk for investors who own these popular names are two-fold. For any given company, a significant risk is they fail to deliver on their shareholders' high hopes, a very real possibility given the long timeframes over which they need to deliver high levels of growth. The other risk though, is that the money creation process that has driven these rising stock prices slows, or even possibly stops, or that the money migrates elsewhere. On the first point, as stated earlier, it seems likely that governments will want to continue spending to encourage a recovery and this should ensure the ongoing creation of new money, however, the current rate of growth may be hard to match. This assumes that potential limits on the levels of government debt discussed earlier do not occur at some point. As for the money migrating elsewhere, this is difficult to predict, but one possibility is that it flows into the real economy, as output steadily recovers over the coming years. None of this really helps with identifying the timing of any of these events, but to stay invested in these types of stocks is like being involved in the investment equivalent of a game of musical chairs.

4 <https://www.platinum.com.au/Insights-Tools/The-Journal/Will-the-Pandemic-Change-our-Spending-Habits-Long>

Fig. 2: US M2 Money Stock, Percent Change from a Year Ago



Source: Federal Reserve Bank of St. Louis.

The rest of the stock market, outside of these popular sectors, is behaving much more like one might expect in a major economic collapse. That is, their stock prices have fallen significantly and although they have bounced from their March lows, they remain well below pre-COVID levels.

Many companies in these out-of-favour sectors, when assessed against a likely three-year recovery period, represent attractive investments. It is amongst these companies that we see the real opportunities arising from the current crisis.

Typically, these companies either have greater sensitivity to economic growth, or in some cases have been directly impacted (e.g. travel-related businesses) by the lockdowns.

It is worth noting, that as the world recovered from the GFC, it was precisely these types of companies that made the best investments over the following two to three years. What is unknown of course, is precisely when we will see these investments perform. Most likely, this will occur with some swings and roundabouts, in line with the broad recovery in economic activity that we expect to come through over the next three years or so. Potentially, as government spending moves toward longer-term projects, such as infrastructure or decarbonisation of the economy, this could well accelerate the recovery for many of these economically sensitive sectors.

MSCI Regional Index Net Returns to 30.6.2020 (USD)

| REGION | QUARTER | 1 YEAR |
|-------------------|---------|--------|
| All Country World | 19.2% | 2.1% |
| Developed Markets | 19.4% | 2.8% |
| Emerging Markets | 18.1% | -3.4% |
| United States | 21.6% | 7.8% |
| Europe | 15.4% | -7.2% |
| Germany | 26.5% | -2.6% |
| France | 16.1% | -10.3% |
| United Kingdom | 7.8% | -17.7% |
| Italy | 16.1% | -11.4% |
| Spain | 10.3% | -21.0% |
| Russia | 18.7% | -13.0% |
| Japan | 11.6% | 3.1% |
| Asia ex-Japan | 16.7% | 1.7% |
| China | 15.3% | 13.1% |
| Hong Kong | 9.2% | -14.7% |
| Korea | 19.5% | 0.4% |
| India | 20.6% | -17.0% |
| Australia | 28.9% | -11.5% |
| Brazil | 9.2% | -32.1% |

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 30.6.2020 (USD)

| SECTOR | QUARTER | 1 YEAR |
|------------------------|---------|--------|
| Information Technology | 30.0% | 31.8% |
| Consumer Discretionary | 28.6% | 9.3% |
| Materials | 25.6% | -4.6% |
| Communication Services | 19.8% | 8.9% |
| Energy | 17.8% | -34.0% |
| Industrials | 17.4% | -7.9% |
| Health Care | 15.3% | 14.6% |
| Financials | 12.0% | -17.7% |
| Consumer Staples | 9.1% | -0.2% |
| Utilities | 6.6% | -2.3% |

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.

The Journal

Visit www.platinum.com.au/Our-Products/PAI to find a repository of information about Platinum Asia Investments Limited (PAI) including:

- Performance and NTA history
- Dividend history and the Dividend Reinvestment Plan
- ASX releases and financial statements
- Monthly updates on performance, portfolio positioning and top 10 holdings.



You can 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, have a listen to our **audio podcasts** or watch brief market updates in **video** format.

Recent videos and articles include:

- **Biotechs: Changing the Future of Health Care.**¹ The biotech sector has all the hallmarks of technology but with the health angle to boot. In this brief video, portfolio manager, Dr Bianca Ogden looks at a selection of biotech investments in her portfolio and how they are challenging and changing the future of health care.
- **Will the Pandemic Change our Spending Habits Long Term?**² In response to the global pandemic, we have altered our consumer behaviour in innumerable ways. Portfolio manager, James Halse looks at how any permanent alterations to how we engage with the world may influence business performance and ultimately stock prices.
- **Investing in the Global Health Care Ecosystem.**³ In this *Shares for Beginners* podcast, portfolio manager, Dr Bianca Ogden talks about the exciting developments taking place in global health care and how a scientific background can be a strong advantage when investing in this dynamic sector.
- **Automakers: Anatomy of a Crisis.**⁴ Automakers are likely to be among the businesses most acutely impacted by COVID-19 and over the next 12 months, most will likely rack up multi-billion-dollar losses. However, accounting losses only tell half the story. Our consumer team explains why.
- **In Technology we Trust. Or do we?**⁵ The technology sector is facing heavy scrutinisation and the threat of increased regulation. At the same time, tech giants are diversifying into new and exciting areas. Should we avoid or embrace their progress? At what cost to our personal data? Portfolio manager, Cameron Robertson provides his insights in this video.
- **Venturing to the Dark Side in Food Delivery.**⁶ What will the emergence of 'dark kitchens' mean for traditional bricks and mortar restaurants and what will it take to be a 'survivor' or a 'thriver'? In this video, investment analyst, Jimmy Su shares his insights on this fast-changing sector and why it's important to dig deeper into the detail.

1 <https://www.platinum.com.au/Insights-Tools/The-Journal/Biotechs-Changing-the-Future-of-Health-Care>

2 <https://www.platinum.com.au/Insights-Tools/The-Journal/Will-the-Pandemic-Change-our-Spending-Habits-Long>

3 <https://www.platinum.com.au/Insights-Tools/The-Journal/Investing-in-the-Global-Health-Care-Ecosystem>

4 <https://www.platinum.com.au/Insights-Tools/The-Journal/Automakers-Anatomy-of-a-crisis>

5 <https://www.platinum.com.au/Insights-Tools/The-Journal/In-Technology-We-Trust-Or-Do-We>

6 <https://www.platinum.com.au/Insights-Tools/The-Journal/Venturing-to-the-Dark-Side-in-Food-Delivery>

Notes

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Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

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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, PAI'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 PAI'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 PAI'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. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "Shorts" show PAI'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 PAI'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 PAI's net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of PAI's currency exposures and may omit some minor exposures.
5. The table shows PAI'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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Level 8, 7 Macquarie Place
Sydney NSW 2000

GPO Box 2724
Sydney NSW 2001

Telephone

1300 726 700 or +61 2 9255 7500
0800 700 726 (New Zealand only)

Facsimile

+61 2 9254 5555

Email

invest@platinum.com.au

Website

www.platinumasia.com.au