Platinum Asia Investments Limited

Quarterly Investment Manager's Report

30 June 2019

Platinum®
ASIA INVESTMENTS LIMITED

ABN 13 606 647 358

Investment Update

by Joseph Lai, Portfolio Manager

Performance

(compound pa to 30 June 2019)

	QUARTER	1 YEAR	2 YRS	3 YRS	SINCE INCEPTION
Platinum Asia (PAI)	0.3%	-0.1%	8.9%	12.5%	8.5%
MSCI AC Asia ex-J Index^	0.6%	4.8%	9.3%	13.7%	10.7%

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.
^ 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 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 2019	$1.0961	$1.0807
30 April 2019	$1.1185	$1.1072
31 May 2019	$1.0584	$1.0584
30 June 2019	$1.0836	$1.0836

Source: Platinum Investment Management Limited.

After a strong start to the year, it was a somewhat lacklustre quarter for Asia markets. PAI has however returned 10.3% for the calendar year-to-date.

Given the negative market narrative of trade wars and a slowing global economy, the market has perhaps performed better than expected. Stabilisation of the Chinese economy, coupled with expectations of a synchronised easing in global interest rates is proving to be a much-needed tonic for the economic ills. These periods of market uncertainty provide contrarian investors like ourselves, with the perfect opportunity to acquire stocks at attractive prices.

Stocks that contributed positively to PAI's performance during the quarter were largely Asian companies with strong balance sheets, which are proving to be remarkably resilient in a generally slower economic environment. **Meituan Dianping** (Chinese internet platform for lifestyle services) was up 29% over the quarter in local currency terms and **Ayala Land** (dominant Philippines property developer) was up 13%.

Stocks that detracted from PAI's performance were mainly US-listed Chinese stocks (ADRs[1]). While fundamentally robust and resilient, these companies were impacted by negative sentiment towards Chinese stocks. We expect some of these companies will opt for a secondary listing on the Hong Kong Stock Exchange, which should be positive for their valuations.

During the quarter, in anticipation of market volatility, we pre-emptively initiated short positions on the Korean and Taiwan equity markets, which helped to cushion some of the market weakness that resulted from the escalation in the trade war between the US and China.

Changes to the Portfolio

At the beginning of the quarter, we took the opportunity to sell down a number of our strong performing stocks to lock in profits, which proved beneficial. PAI's net invested position fell from 85% to a low of around 65% in May.

Following share price weakness, the Hong Kong and Chinese markets were trading on valuations significantly below their 15-year averages. We took advantage of the situation

1 American Depositary Receipts

mid-way through the quarter and employed some of the cash by adding to existing positions in high-quality companies, which were trading on exceptionally low valuations. These included, **Tencent** (value-added services and online advertising), **Samsung Electronics** and **SK Hynix** (semiconductor).

We also initiated new positions in various Hong Kong real estate companies, including **Sun Hung Kai Properties**, **New World Development**, and **Wheelock and Company**. These are premier Hong Kong based companies, which typically have very resilient and growing rental property businesses and enviable exposure to the Greater Bay Area in the southern part of China. These firms are expected to benefit from the Chinese government's plans to transform this area into the 'Silicon Valley' of China. Trading at significant discounts to book value and on high single digit price to earnings multiples, with dividend yields of around 4% p.a. (supported by recurrent rental income), these stocks are incredibly cheap, especially in a falling interest rate environment.

Overall, given the uncertainty surrounding the outcome of the trade war between the US and China and global markets, PAI adopted a prudent approach over the quarter, holding an average of around 25% in cash and 4% short positions in stock indices, which we will continue to reduce at an appropriate time.

Commentary

Investing in Asia in recent years has felt very similar to the metaphor "The Road Less Travelled". To invest in interesting and attractively valued opportunities, we have needed to think differently from the crowd, especially during times of uncertainty and fear, and remain vigilant for opportunities. We have sought to lock in profits when sentiment was elevated.

In 2016, the UK's decision to exit the European Union (Brexit) following a referendum in June, and weak global growth weighed on markets. The extremely negative sentiment prompted the Chinese government to relax its policies to encourage infrastructure spending, property investment and consumption. At that time of market weakness, we increased our exposure to Asian equities and captured the rally in equity markets that unfolded in 2017. We generated a 36% return for our investors in PAI in 2017.

The market's positive tone continued in the first half 2018 and we gradually took profits and reduced our exposure.

However, the optimism ended in the second half of 2018 with the Asian markets[2] producing a dismal return. China slowed down as the shadow banking reforms, which restricted lending, began to impact the economy and the trade war erupted. By October 2018, when pessimism was at its worst, we felt it was time to add stocks again. We enjoyed a brief, but powerful rally in equities in early 2019.

2 MSCI AC Asia Ex Japan Index

Disposition of Assets

REGION	30 JUN 2019	31 MAR 2019
China^	34%	43%
Hong Kong	13%	10%
Taiwan	4%	4%
India	13%	13%
Korea	9%	8%
Thailand	4%	4%
Philippines	3%	3%
Vietnam	3%	3%
USA	<1%	<1%
Malaysia	<1%	<1%
Cash	17%	11%
Shorts	-6%	-4%

^ Inclusive of all China-based companies, both those listed on exchanges within China and those listed on exchanges outside of China.
See note 2, page 11. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2019	31 MAR 2019
Financials	21%	25%
Consumer Discretionary	16%	18%
Communication Services	14%	15%
Information Technology	11%	9%
Real Estate	10%	6%
Industrials	4%	4%
Health Care	2%	3%
Utilities	1%	1%
Materials	1%	1%
Consumer Staples	0%	3%
Energy	0%	1%
Other*	-2%	-1%
TOTAL NET EXPOSURE	77%	85%

* Includes index shorts and other positions.
See note 3, page 11. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

As mentioned above, we reduced our exposures again recently as we felt the market was too bullish as trade relations between US and China deteriorated.

The question today is - where to from here?

With regards to the US and China trade conflict, it's worth noting that China's exports to the US only represent 4% of China's national output (i.e. GDP). US-imposed tariffs on China therefore in themselves do not have a major ***direct*** impact on the Chinese economy. China has a huge domestic market and 96% of China's output goes to markets outside the USA.

However, trade uncertainty is having an ***indirect*** impact nonetheless on business confidence and consumer sentiment. It not only impacts China, but also the rest of the world. The inter-connectivity of the global economy means there is a huge third-order effect to other countries that supply and manufacture goods and parts for Chinese and US products. Businesses are unlikely to invest when the demand for their products is uncertain. Likewise, consumers will be hesitant to spend (i.e. buy a new car or mobile phone) if they are uncertain about their job.

In this complex situation, there will emerge winners and losers. To the extent some of the factories will migrate out of China, it will be a small loss for China, but it will represent large gains for surrounding countries with low labour costs. Vietnam for example, is seeing double-digit growth for the same types of Chinese products that the US had imposed tariffs on. We added to our positions in Vietnam during the quarter.

At a company level, the US government's decision to add Chinese telecommunications company, Huawei to an "Entity List", which prohibits US companies from conducting business with it, presented opportunities for other companies to benefit. Samsung Electronics for instance, which was trading on book value and 13x price to earnings based on cyclical depressed earnings – offered great value. To the extent Huawei could lose market share in smartphones in Europe, Samsung is ready to capture it. We added to our position in Samsung at lower prices.

One of the major constants in Asia is change. Change can create opportunities. When there is fear in the market, we try to think differently i.e. we take the road less travelled.

The two main themes we are focusing on are:

1. Beneficiaries of the trade conflict.
2. Good quality companies with inherent growth - even in a slowing global economy.

Let's be clear. Taking the road less travelled does not simply mean positioning towards adventure and risk. In most cases, it means buying what we believe are companies with strong balance sheets at cheap prices.

The prospect of a slow growing global economy due to trade uncertainty, and global central banks cutting rates aggressively to zero in the absence of inflation, is a reality we face.

However, the longer-term fundamentals are still very favourable in the Asia region. With income per capita still very low in China (around US$10,000 per person in 2018) and India (around US$2,000 per person) versus an average of

Net Currency Exposures

CURRENCY	30 JUN 2019	31 MAR 2019
US dollar (USD)	51%	48%
Hong Kong dollar (HKD)	33%	30%
Indian rupee (INR)	13%	10%
Korean won (KRW)	9%	8%
Taiwan new dollar (TWD)	4%	4%
Vietnamese dong (VND)	3%	3%
Chinese yuan (CNY)	2%	8%
Malaysian ringgit (MYR)	<1%	<1%
Australian dollar (AUD)	<1%	<1%
Thai baht (THB)	-1%	4%
Philippine piso (PHP)	-5%	3%
Chinese yuan offshore (CNH)	-10%	-19%

See note 4, page 11. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group	China	Cons Discretionary	4.7%
Tencent Holdings	China	Comm Services	4.4%
Samsung Electronics	Korea	Info Technology	4.2%
Taiwan Semiconductor	Taiwan	Info Technology	3.9%
AIA Group Ltd	Hong Kong	Financials	3.8%
Ping An Insurance	China	Financials	3.7%
Meituan Dianping	China	Cons Discretionary	2.9%
Kasikornbank PCL	Thailand	Financials	2.9%
Axis Bank Limited	India	Financials	2.8%
Autohome Inc	China	Comm Services	2.5%

As at 30 June 2019. See note 5, page 11.
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.

US$40,000 for OECD members[3], it will take a great deal to disrupt growth in these countries' living standards. Both governments are investing heavily in infrastructure, education and technology off a relatively low base, driving economic growth and subsequently higher income levels for many years to come.

India has cleaned up its banking system, implemented the goods and services tax (GST) and introduced a workable bankruptcy code. Reforms to open up the economy are continuing and these will drive internally generated growth.

In 10 years' time, the banking industry landscape in India will likely be akin to that of Australia, in which a handful of well-run private banks will dominate the market. One stock held in PAI that is benefiting from the bank reforms, is **Axis Bank**. Axis is one of India's private banks that is taking market share, competing against the less-than-competent state-owned banks. We expect Axis Bank's earnings will increase significantly over the next three years, and is trading on just 20x earnings and 2.5x book value.

China continues to reform its economy by cleaning up the banking system, opening up industries to foreign competition and encouraging technology development.

Life insurance company, **AIA** is a good example of a company that we expect will benefit from China opening up its market. At present, AIA only operates in five out of the 36 Chinese provinces. It is growing insurance premiums by 25% a year and its expansion into the remaining 31 provinces is expected to provide significant upside to growth. It has done very well selling quality products that understand the needs of customers. We estimate earnings will continue to grow at double digits for a long time, and is trading on just 15x earnings.

3 Source: World Bank, 2018

Outlook

While uncertainty and risks always exist in investing, what is certain is that valuations of Asian stocks are attractive again.

A trade truce was reached between the US and China at the 2019 G20 Summit in Osaka at the end of June, with both superpowers agreeing to recommence trade negotiations. China's Huawei also received a reprieve on some of the trade restrictions imposed by the US. Uncertainty has paralysed decision making for businesses and consumers alike. While it is unlikely to supercharge the economic cycle, these developments reduce the prospect of a stalling in economic activities in the region.

With decelerating economic growth globally, central banks in many countries have started cutting interest rates. This marks an interesting turning point for the region. With many of its currencies linked to the US dollar, the region's interest rate policies reflected the US policies, which has been tightening over the last three years. The US Federal Reserve has shifted its stance in recent months away from further tightening, with the markets now pricing in interest rate cuts in 2019. This reversal is a positive for the region's asset markets and currency value.

Given the likelihood of improving economic prospects and attractive valuations, PAI has deployed some of the cash raised into existing and new stock positions, and plans to continue to invest in quality companies with resilient characteristics. **Taking the road less travelled may make a difference**.

Macro Overview

by Andrew Clifford, CIO, Platinum Investment Management Limited

Trade war dominates, distracts and detracts

The escalation of protectionist measures by the US government can only detract from economic prospects for the US and the rest of the world. The real question, however, is how significant will the collateral damage be and how readily can it be overcome by other policy measures? In spite of an agreement reached between US President Donald Trump and Chinese President Xi Jinping at the June G20 meeting, the uncertainty created by the trade dispute is likely to continue to weigh on investment decisions the world over.

The events of the last 18 months have created a chaotic environment for any business directly or indirectly involved in world trade. The US government first imposed China-specific tariffs of 25% on US$50 billion of imports in July and August last year. In September, the US imposed 10% tariffs on a further US$200 billion of imports from China, with a threat to escalate these to 25% in January 2019. Then in December, at the G20 meeting in Buenos Aires, the two governments reached an agreement to defer the January tariff increase as they worked towards a resolution.

When trade negotiations broke down in early May this year, the US moved swiftly to increase tariffs to 25% on the US$200 billion of imports from China, and threatened to apply 25% tariffs to an additional US$300 billion of imports, which was essentially the balance of the US's imports from China. Then at the end of June, at another G20 meeting, there was yet another agreement to negotiate and defer the next round of tariffs.

The US's trade war with China is only part of the story. The Trump government first imposed tariffs on imports of all solar panels and washing machines in January 2018. Tariffs on steel and aluminium imports (with only a handful of countries exempted) followed shortly after in March 2018. While beneficial for US producers of these goods, the tariffs were detrimental to US manufacturers, as steel and aluminium are essential inputs to their business, and they often compete globally against companies without such imposts. There are also the ongoing threats of tariffs on European auto producers. Closer to the US borders, Canada and Mexico needed to renegotiate the North American Free Trade Agreement (New NAFTA) and on signing, the US threatened to renege on the deal with Mexico over issues relating to immigration. Most recently, the US government placed restrictions on the sale of US technology to Huawei, the world's largest producer of telecom and networking equipment. While theoretically based on national security issues, the decision now appears to be on hold post the June G20 meeting.

Implications for business investment

On face value, the one clear message to US businesses is they need to reduce their dependency on China as a source of supply, and indeed many companies are considering this. In theory, it sounds like a simple decision, but in reality, there are numerous challenges. These include, readily finding the quantity of labour with the requisite flexibility, as well as securing the full supply chain of services, such as design, packaging, logistics and financing, that are very well developed in China[1]. Submissions by US businesses to the recent public hearings on the proposed 25% tariffs on the remaining US$300 billion of China imports, highlight these challenges, with many simply seeing no alternatives to China for acquiring critical inputs to their business. The most likely pathway would be to pass on the tariffs to customers via higher prices with the potential to cause substantial damage to their business and a significant loss of revenues.

Nevertheless, some businesses will pursue alternative supply arrangements for their manufactured goods, which is a risk if a trade agreement is reached with China down the track, as they may be committed to less-than-ideal arrangements. This risk is clearly highlighted by threats to place tariffs on imports from Mexico if they don't meet the US's immigrations demands. Until this point, Mexico probably ranked as the next best place to source manufactured goods after China. In such an environment of so much uncertainty, it seems highly likely that companies of all sizes, both in the US and elsewhere, will defer investment where possible until the trade issues have been resolved.

1 See our reports, Observations from a Recent Trip to China, 1 May 2017, https://www.platinum.com.au/Insights-Tools/The-Journal/observations-from-a-recent-trip-to-china and Macro Overview, September 2018, https://www.platinum.com.au/PlatinumSite/media/Reports/paiqtr_0918.pdf

The decision to place Huawei on the US "Entity List" in May, which effectively restricts the sale of American-made parts and components to Huawei, creates another more specific area of uncertainty. It is not clear to what extent the bans, will prevent Huawei from manufacturing its product lines, but its inability to access certain key components from US suppliers is likely to dramatically curtail its business. While telecommunication network operators could simply replace the Huawei product with a Samsung, Ericsson, Cisco, or Nokia product, in most cases the networks will need to be re-engineered so they are compatible, which may mean subsequent delays to other investments already in the pipeline.

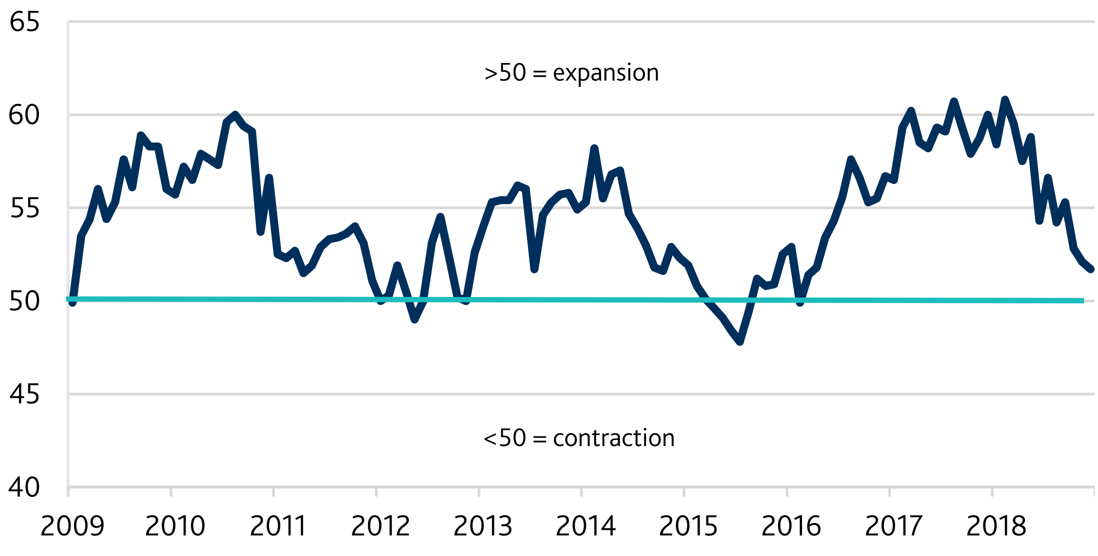
In addition to the recent ban, legislation passed in the US in 2018 restricted the purchase of Huawei equipment by any entity accessing government funding, with a two-year deadline to remove Huawei equipment from expenditures. In early June this year, the Wall Street Journal reported that the White House's Acting US Budget Chief was looking to delay the deadline by a further two years due to difficulties in sourcing alternatives to Huawei equipment.[2] Even where simple fixes are available, the sheer size of Huawei will limit competitors' ability to fill the gap quickly. As a result of the Huawei bans, investment in communication networks is expected to be on hold as operators look for alternatives. The Huawei bans are however, likely to have a much bigger impact on the broader economy. For every dollar spent on Huawei equipment, there are multiples of dollars spent on the equipment of other vendors and associated services.

The agreement reached between the US and China at the most recent G20 meeting to delay the next round of tariff increases and place a hold on the Huawei ban while further negotiations take place, is undeniably good news. However, it hardly provides the certainty businesses need to make longer-term investment decisions. Ultimately, negative consequences for investment spending and economic growth in the US is to be expected. The US significantly increased tariffs as recently as May this year, which effectively acts as a tax on the US economy, and as such, will weigh on growth. These disruptions come at a time when the US manufacturing sector is already showing signs of weakness as evidenced by a leading survey of manufacturers, the Purchasing Managers' Index (PMI)[3], which fell to a three-year low of 52 in June 2019, well down from 60 in August last year (see Fig. 1).

2 Source: "Acting US Budget Chief Seeks Reprieve on Huawei Ban", The Wall Street Journal, 10 June 2019

3 The PMI is a good indicator of the economic health of the manufacturing sector, a reading above 50 implies an expansion in activity relative to the previous month and below 50 implies a contraction.

Fig. 1: ISM Manufacturing Purchasing Managers' Index - United States



Source: FactSet

Monetary and fiscal measures could play a role

There are other variables at play though that could potentially offset the impact of the trade deliberations. Most notably, the US Federal Reserve and the European Central Bank have both backed away from tightening monetary policy this year. Markets are already pricing in a 70% probability of two to three interest rate cuts in the US this year. Governments are also likely to be more inclined to use fiscal policy via implementing tax cuts and/or increased spending, to encourage growth in the months ahead. These measures could potentially be enough to counter the negative consequences of the US trade policies.

In China, the economy is stabilising after a period of very tight monetary conditions in the first half of 2018, which were a result of the country's financial reforms. As discussed in past quarterly reports[4], interest rates have fallen sharply in China over the past 18 months, signifying easier monetary conditions, and the government's fiscal stimulus is estimated at 3% of its output (i.e. GDP). While the economy has not responded with the same vigour as it has in past stimulus cycles, this reflects the impact of the trade situation, which has dampened both business and consumer confidence. If required, the Chinese government has the financial resources to add further stimulus to the financial system. As we learned in 2018, at the margin, China is at least as important, if not more so, than the US, in determining economic prospects for the rest of the world, reflecting its size and current growth rate. An optimistic tilt at the current situation is that the Chinese economy has performed well given the set of conditions that it has faced over the last 18 months. Even mildly stronger performance from the world's second largest economy is likely to improve economic conditions across much of the world.

4 https://www.platinum.com.au/PlatinumSite/media/Reports/paiqtr_0319.pdf
https://www.platinum.com.au/PlatinumSite/media/Reports/paiqtr_1218.pdf

MSCI Regional Index Net Returns to 30.6.2019 (USD)

REGION	QUARTER	1 YEAR
All Country World	**3.6%**	**5.7%**
Developed Markets	**4.0%**	**6.3%**
Emerging Markets	**0.6%**	**1.2%**
United States	**4.1%**	**9.6%**
Europe	**4.7%**	**2.4%**
Germany	7.1%	-3.8%
France	6.5%	3.0%
United Kingdom	0.9%	-2.0%
Italy	2.9%	-0.7%
Spain	2.6%	-2.1%
Russia	16.9%	27.1%
Japan	**1.0%**	**-4.2%**
Asia ex-Japan	**-0.7%**	**-0.5%**
China	-4.0%	-6.7%
Hong Kong	1.0%	10.4%
Korea	-0.9%	-9.1%
India	0.5%	7.9%
Australia	7.3%	6.5%
Brazil	7.2%	39.4%

Source: FactSet.
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 30.6.2019 (USD)

SECTOR	QUARTER	1 YEAR
Financials	5.8%	3.4%
Information Technology	5.2%	9.9%
Industrials	4.5%	6.3%
Consumer Discretionary	4.4%	4.2%
Materials	3.7%	0.0%
Communication Services	3.3%	13.0%
Consumer Staples	2.8%	9.2%
Utilities	2.6%	13.8%
Health Care	1.3%	9.6%
Energy	-1.1%	-7.7%

Source: FactSet.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

Market Outlook

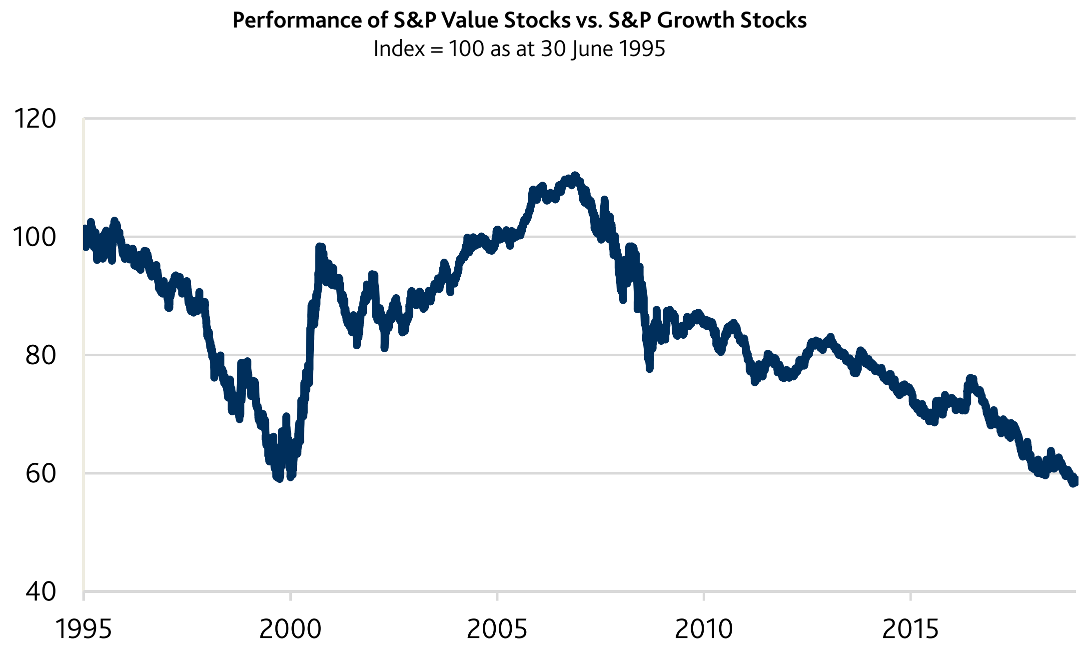
Not surprisingly, markets have responded to the trade developments by reverting to a highly risk-averse stance. Global government bond yields have fallen sharply, as central banks changed their stance on future interest rate moves and investors sought risk-free assets. In the equities markets, investors' desire to avoid uncertainty has continued to favour high-growth companies (predominantly technology companies), that are perceived to be immune to external influences. Safe havens, such as consumer staples, utilities, real estate, and infrastructure have also benefited. Conversely, businesses with any degree of cyclicality were sold off aggressively, notably semiconductor companies, which were impacted by the Huawei ban and auto companies, which remain at the centre of the trade disputes. Commodity stocks also sold off in line with lower metals and energy prices, which weakened on lower growth prospects.

The extremes in valuations are encapsulated well in two groups of stocks. The memory chip industry has in recent years consolidated to three players for DRAM (the memory chips in PCs and data centre servers) and five players for flash memory or NAND (the memory chips in smartphones). The industry has extraordinary barriers to entry in terms of technological and industrial knowhow. Post consolidation, the profitability of the industry has improved dramatically though it remains a cyclical business. With a downturn in smartphone sales and spending on new data centres last year, memory chip prices have fallen and profits are expected to fall by around 50% or more this year. These stocks were sold off heavily last year, and again in recent months, as a result of trade tensions and the Huawei ban. Micron, one of the three producers of DRAM, recently traded close to book value, and on our assessment of likely profits, once the business recovers, was trading on 4 to 5x earnings. In our experience, this is a highly attractive valuation. This industry will grow as the demand for computing grows. On the other hand, e-commerce players and new software business models, which will drive the demand for DRAM and flash memory chips, are trading at extraordinary valuations. Last quarter we highlighted the software-as-a-service (SaaS) companies, many of which trade at valuations in the range of 15 to 25x sales. We believe the likelihood of any company growing their business fast enough for long enough to justify such a valuation is very low.

The contrasting stock market treatment of these two groups of companies is part of a longer-term market phenomenon of growth stocks outperforming value stocks. While we would usually avoid referring to this growth and value categorisation, it helps to highlight the dynamic of investors crowding into growth stocks and avoiding companies with any degree of cyclicality.

Figure 2 shows the performance of US growth stocks over US value stocks in the S&P 500 Index. The descending pattern in the chart over the last 12 years reflects the outperformance of growth over value, with growth stocks rising by far more than value stocks relentlessly since 2007. We would simply note that the last time we were at current levels was in 1999-2000. At this time, tech stock, Cisco Systems

Fig. 2: Value vs. Growth – Back to 1999-2000 Levels



Source: Bloomberg

(networking equipment) traded at 190x earnings and Diageo (alcoholic beverages) traded on 12x earnings. Cisco's stock price subsequently fell 85% from its record high in March 2000, and today, remains 30% below its 2000 highs. Meanwhile, Diageo's stock price subsequently increased seven fold.[5]

In summary, there are significant parts of the global equity market that are trading at very high, in some cases even exorbitant, valuations. We can't be bearish enough on these particular companies. It is worth noting that the Nasdaq Stock Market in the US (home of many of the highly valued growth stocks, notably high-tech) has historically had a high correlation with US economic growth. On the other hand, there are groups of stocks globally that trade on attractive valuations versus historical averages. Most of these are cyclical businesses, and although the global economic outlook is problematic, as we outlined earlier in this commentary, our assessment is that their stock prices already more than reflect a recessionary environment.

5 Source: FactSet

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). "PAI" refers to Platinum Asia Investments Limited (ABN 13 606 647 358) (ASX code: PAI).

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. 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 have not been calculated using PAI's share price.**

   PAI's returns have been provided by Platinum. The MSCI All Country Asia ex-Japan Net Index (A$) returns have been sourced from FactSet. Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. For the purpose of calculating the "since inception" returns of the Index, PAI's portfolio inception date (15 September 2015) is used. Platinum does not invest by reference to the weightings of the Index. PAI's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, PAI's holdings may vary considerably to the make-up of the Index. Index returns are provided as a reference only.

   The investment returns shown are historical and no warranty can be 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. the positions listed other than "cash" and "shorts") represent, as a percentage of PAI's portfolio value, PAI's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.

3. The table shows, as a percentage of PAI's portfolio value, PAI's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices.

4. The table shows the effective net currency exposure of PAI's portfolio as a percentage of PAI's portfolio value, taking into account PAI's currency exposures through securities holdings, cash, forwards, and derivatives. 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 10 long equity positions as a percentage of PAI's portfolio value, taking into account direct securities holdings and long stock derivatives. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

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