Platinum®
ASSET MANAGEMENT

Platinum Asia Fund

(Quoted Managed Hedge Fund)®

(ARSN 620 895 427 | ASX Code: PAXX)

Quarterly Investment Manager's Report

30 September 2019

Platinum®
ASIA FUND
(QUOTED MANAGED HEDGE FUND)

Investment Update

Platinum Asia Fund (Quoted Managed Hedge Fund) (PAXX)

Joseph Lai
Portfolio Manager

Performance
(to 30 September 2019)

	QUARTER	1 YEAR	2 YEARS	SINCE INCEPTION PA
PAXX	0.5%	4.0%	4.6%	5.5%
MSCI AC Asia ex J Index	-0.6%	3.6%	6.8%	7.1%

PAXX's returns are net of accrued fees and costs, are before tax, and assume the reinvestment of distributions. Inception date: 12 September 2017. Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet. Historical performance is not a reliable indicator of future performance. See note 1, page 11.

The Platinum Asia Fund (Quoted Managed Hedge Fund) (ASX code: PAXX) is a feeder fund that primarily invests into Platinum's flagship Asian equity fund, the Platinum Asia Fund ("PAF"), which was established on 3 March 2003.

The following is the 30 September 2019 Quarterly Investment Manager's Report prepared for PAF by its Portfolio Manager. 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 PAXX and PAF (C Class - standard fee option) have different fee structures and therefore different returns. PAXX'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 PAXX's market making activities.

It was a lacklustre quarter for Asian markets with the continuing trade dispute between the US and China sapping business confidence.

PAF (C Class) returned 0.5% over the quarter.

The semiconductor sector was a key contributor to the Fund's performance over the quarter, benefiting from the advent of 5G. Stocks that performed well included **Taiwan Semiconductor Manufacturing** (semiconductor foundry, +14% in local currency terms), **ASM Pacific Technology** (semiconductor equipment manufacturer, +25%) and **SK Hynix** (DRAM manufacturer, +18%).

Stocks that displayed resilient growth characteristics also provided a positive contribution to performance. These included **MicroPort Scientific** (Chinese cardiac stent manufacturer, +22%), **Country Garden Services** (Chinese property management company, +25%) and **Anta Sports Products** (Chinese sports apparel brand, +21%).

PAF's holding in bank stocks generally detracted from performance, notably **Kasikornbank** (-17%) and **Axis Bank** (-15%), reflecting a global decline in interest rates.

Changes to the Portfolio

With many stock markets in Asia trading on attractive valuations, this has opened up a more interesting opportunity set for investors.

During the quarter, PAF's net invested position increased from 75% to 80% by the end of September (up from a low of 63% in May), as we took advantage of the attractive valuations on offer for very strong secular growth businesses.

A new position was established in Midea Group (biggest home appliances company in the world) during the quarter. Existing stocks added to the Fund included Tencent, Samsung Electronics, Taiwan **Semiconductor Manufacturing**, Axis Bank (India) and Kasikornbank (Thailand). We expect these companies to deliver strong earnings growth even in a difficult global environment.

We exited our positions in Hong Kong related assets (real estate companies, Sun Hung Kai, New World Development and Wheelock & Co, plus Hong Kong Exchange) early in the quarter before the significant sell-off in the market, as we had concluded that the volatile situation in Hong Kong was likely

to persist for a while, potentially dimming long-term economic prospects.

Commentary

During the quarter, we undertook an extensive research trip, meeting with numerous companies in China. The key takeaway from the trip was that the pace of reform is accelerating. While the days of rampant growth are over, the more moderate pace of growth is of significantly better quality. *A brief summary of key insights on market trends from our trip is provided on page 5.*

The Fund has accumulated very attractive names that are exposed to the region's growth themes. The companies we have invested in are typically leaders in their respective fields, and are taking market share from competitors. This includes companies in the consumption, internet, insurance, food delivery, sports apparel and financial sectors. They are domestic-oriented businesses and are therefore less impacted by the trade war than export-facing businesses and we expect that they will continue to grow in the next three to five years, irrespective of the global economic environment.

One sector that is the exception though is semiconductors – an export-facing sector that is actually benefiting from the trade war. The deployment of 5G base stations throughout China is evidently starting an 'upcycle' in semiconductors. Smartphone sales have been declining in recent years, as users stretch out their replacement cycle – why replace a perfectly good handset? The arrival of 5G is likely to change this trend however, as it will prompt many to upgrade their handsets.

In addition to the upgrade cycle, developing economies are continuing their take-up of smartphones reflecting falling prices and investment in network infrastructure. Now that the 4G network has been rolled-out, India is adding circa 180 million new smartphone users each year. The same dynamic is driving smartphone adoption elsewhere.

While the global smartphone market has been stagnant over the last few years, it may indeed start to grow again. At present, there are about 3.6 billion smartphone users in the world, and this is expected to grow to 5 billion by 2025, representing 38% growth over the period.[1]

On this basis, we believe the semiconductor cycle can persist for quite a while. Our key exposures are at the epicentre of this huge dynamic - Taiwan Semiconductor (leader in a global duopoly in semiconductor manufacturing), Samsung Electronics (leader in an oligopolistic manufacturing of smartphones and memory), SK Hynix (memory) and ASM Pacific (leader in semiconductor equipment manufacturing).

1 Source: https://www.gsma.com/r/mobileeconomy/

Disposition of Assets of PAF

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
China^	39%	33%	41%
Hong Kong	7%	13%	4%
Taiwan	5%	4%	2%
India	10%	12%	11%
Korea	10%	9%	13%
Thailand	4%	4%	5%
Philippines	3%	3%	2%
Vietnam	3%	2%	1%
Singapore	0%	0%	1%
Cash	20%	20%	19%
Shorts	-1%	-6%	-1%

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

Net Sector Exposures of PAF ^

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Consumer Discretionary	17%	16%	6%
Financials	15%	20%	24%
Communication Services	15%	14%	13%
Information Technology	14%	10%	6%
Real Estate	5%	10%	7%
Industrials	5%	4%	5%
Other*	3%	-2%	1%
Health Care	2%	2%	4%
Energy	1%	0%	10%
Materials	1%	1%	2%
Utilities	1%	1%	1%
Consumer Staples	0%	0%	0%
TOTAL NET EXPOSURE	80%	75%	80%

^ A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.
* Includes index shorts and other positions.
See note 3, page 11. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Outlook

Many central banks have eased interest rates in recent months, including the US Federal Reserve, which is an interesting turning point for the region. The Asian region's interest rate policies are influenced by US policies, and as such, rate cuts there are positive for the region's asset markets and currency values. China has been relaxing monetary and fiscal policies, which is gradually translating into a stabilisation in economic activity.

It is unclear at this stage to what degree the policy changes will stimulate growth. The Fund remains conservatively positioned and we will continue to deploy capital into strong companies with resilient characteristics when appropriate opportunities arise.

Net Currency Exposures of PAF

CURRENCY	30 SEP 2019	30 JUN 2019	30 SEP 2018
US dollar (USD)	57%	41%	17%
Hong Kong dollar (HKD)	29%	31%	27%
Indian rupee (INR)	10%	13%	15%
Korean won (KRW)	10%	9%	13%
Taiwan dollar (TWD)	5%	4%	2%
Chinese yuan (CNY)	5%	18%	15%
Philippine peso (PHP)	3%	-5%	2%
Vietnamese dong (VND)	3%	2%	1%
Thai baht (THB)	1%	-1%	5%
Australian dollar (AUD)	0%	2%	2%
China yuan offshore (CNH)	-24%	-15%	0%

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

Top 10 Holdings of PAF

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics	Korea	Info Technology	5.8%
Tencent Holdings	China	Comm Services	5.5%
Taiwan Semiconductor	Taiwan	Info Technology	5.1%
Alibaba Group	China	Cons Discretionary	5.0%
Ping An Insurance	China	Financials	3.4%
AIA Group Ltd	Hong Kong	Financials	3.0%
Meituan Dianping	China	Cons Discretionary	2.9%
Vietnam Enterprise	Vietnam	Other	2.9%
Kasikornbank PCL	Thailand	Financials	2.8%
Axis Bank Limited	India	Financials	2.7%

As at 30 September 2019. See note 5, page 11.
Source: Platinum Investment Management Limited.

China Research Trip

Economic transformation continues apace

During September, members of the Platinum Asia team travelled to China to meet with a number of companies and industry contacts as part of our extensive research program. Our observation was that economic activity remains robust, particularly in investment in urbanisation and consumption growth.

Across China, **intra-city rail and road investments** are connecting various cities, forming highly efficient 'city clusters' such as the Greater Bay area in the south, and Beijing-Tianjin-Hebei area in the north, with each supporting hundreds of millions of people and generating significant economic output.

In Changsha, we visited Jinmao's **Meixi Lake City Operations** project, where it converted 1,800 hectares of vineyards and wetlands into prime real estate. The new district houses half a million inhabitants, replete with 11 schools, four hospitals, shopping malls, offices and an iconic opera house. Due to a much-improved city planning process, the apartments typically sell for double the price of apartments in surrounding areas. Investment in these large urbanisation projects is also evident in cities like Chongqing and Chengdu.

Not only has the quality of investment improved, a focus on the environment is also apparent. Water mist sprinklers and noise reduction walls were installed on a number of construction sites, and thanks to the nationwide upgrade of emission standards, the older polluting factories were retired early.

The **technology** sector is developing quickly. China's 5G deployment has begun in earnest, despite a restriction on semiconductor exports from the US, as alternative component providers have been found. Performance of these alternatives is comparable to the US product and the cost may actually be lower as volume ramps up. This is fuelling a rapid development of the domestic supply chain.

On the **consumption** front, there is greater effort to improve the consumer experience and encourage domestic consumption. The diagou channel (where syndicated groups of exporters outside of China purchase goods for customers in China) has been popular for Chinese consumers to access foreign products in the past, but it has struck a few hurdles – mainly product authenticity, tax avoidance and empty shelves in foreign shops, upsetting the locals.

To reduce the volume of goods sold via the daigou channel, customs officials are now screening inbound parcels more vigorously. Import duties have been reduced across many categories, especially on luxury cosmetics, to encourage imports via formal channels. Foreign brands are also opening stores more aggressively in China, with US brands such as **Estee Lauder** and **Tiffany & Co** establishing a local presence. In particular, Tiffany & Co unveiled its largest exhibition store in Shanghai in September and opened its first online store in China.

In the era of **e-commerce**, the sustainability of brick-and-mortar stores could be questioned. However, we visited a newly refurbished RT-Mart store in Shanghai that is combining the best of what online and offline has to offer. RT-Mart is the largest 'hypermarket' (supermarket and department store combined) chain in China with 485 big-box stores. The extensive product range includes fresh food, groceries and other consumer items.

RT-Mart has partnered with **Alibaba**, thereby gaining access to Alibaba's user data, customer insights, supply-chain management, retail technologies and the powerful electronic payment system Alipay. This allows them to gain insights into products that local consumers want, maximising their sales per square metre. It also helps the e-commerce experience by setting aside an area for products that allow customers to 'touch and feel' (e.g. private label homeware and baby products).

Products can be purchased in store or delivered home. The store layout is designed for this flexibility, with overhead conveyer rails carrying electronically tagged bags of groceries or fresh food for packing and delivery, like a conveyor belt. Most orders are typically **shipped within 10 minutes of ordering**, and one-hour delivery is offered for orders within a 3-kilometre radius.

The refurbished stores are showing 10% year-over-year same-store sales growth, and double-digit growth in fresh food segments. Bearing in mind that only less than half of fresh food purchased is done via modern channels, this new store format shows a great deal of promise, revolutionising the idea of what wet markets (fresh meat, fish and other perishables) look like in this rapidly transforming country.

Macro Overview

by Andrew Clifford, CIO, Platinum Investment Management Limited

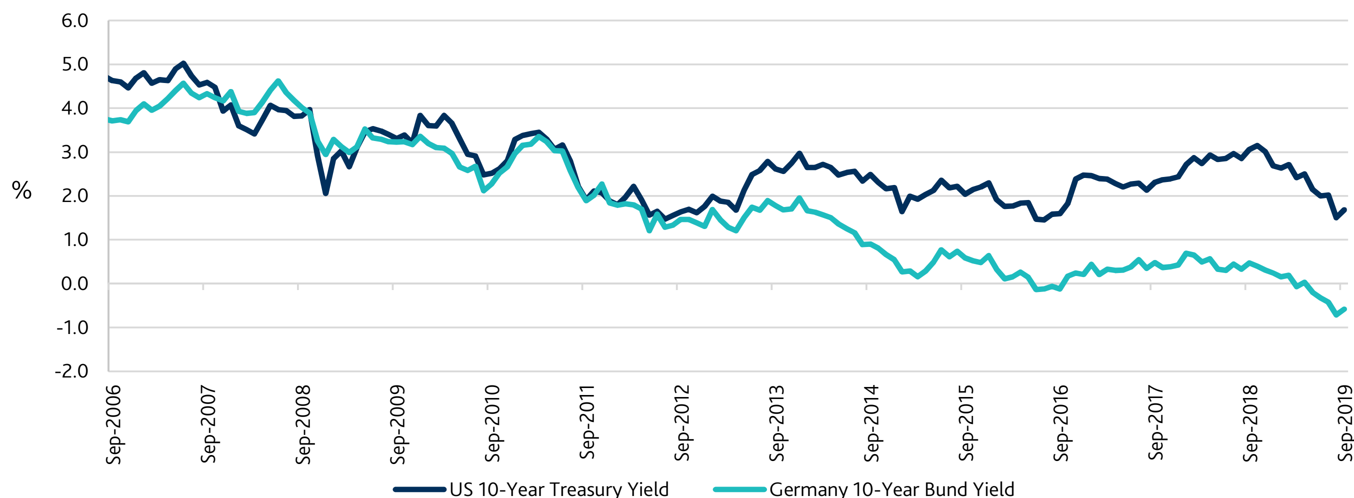
Markets priced for recession on trade and political uncertainty

The notable feature of the September quarter was the global collapse in long-term interest rates following cuts in official interest rates by the US Federal Reserve (Fed), European Central Bank (ECB), Reserve Bank of Australia (RBA) and other central banks. At one point, the yield on the US 10-year Treasury fell to 1.5%, which was the lowest level since the European sovereign crisis of 2012 and the China slowdown of 2016 (see Fig. 1). This level compares with a yield of 2.1% reached in 2008 during the global financial crisis (GFC). More significantly, German 10-year Bund yields fell to -0.7%, a rate that results in an investor receiving $93 in 10 years' time for $100 invested today. In prior periods of economic and financial stress, Bunds had previously fallen to -0.1% in 2016, 1.2% in 2012, and 3% in 2008.

Clearly, the global economy has lost momentum over the last 18 months, most notably with a collapse in manufacturing activity. Purchasing manager surveys for the manufacturing sector have fallen below 50 in the major economies (see Fig. 2), indicating that activity has declined. As we have noted in past reports, the slowdown in manufacturing initially resulted from China's reform of its financial system in 2017 that resulted in an unexpected tightness in the availability of credit in that economy. As China is the largest market for most manufactured goods, this has had a significant impact beyond its borders. Subsequently, the US trade war with China has created additional uncertainty for the manufacturing sector, reinforcing this slowing tendency.

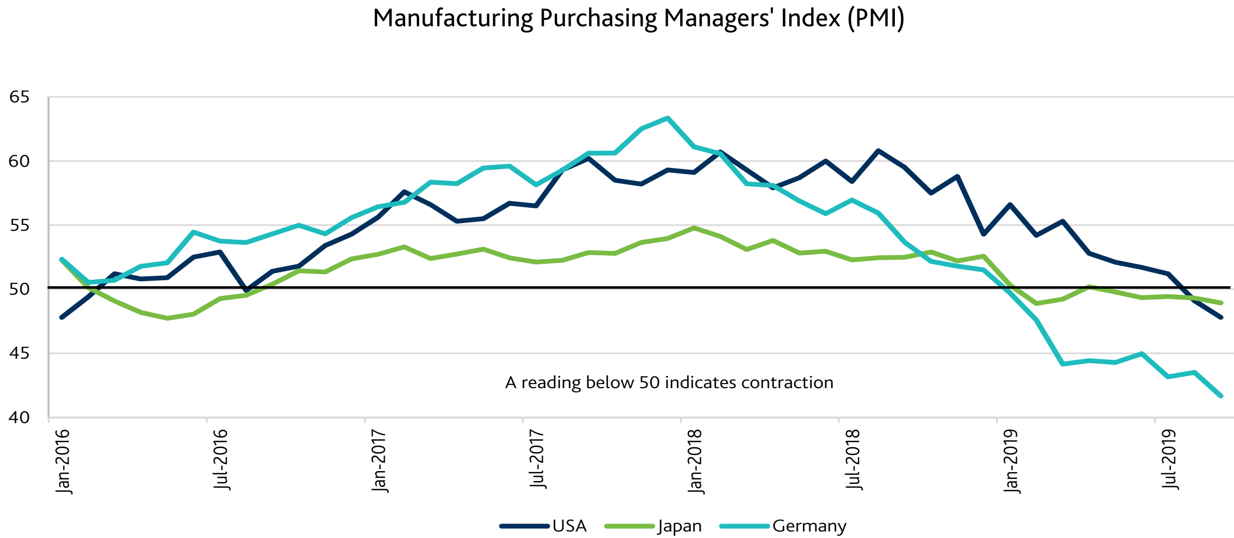
Unquestionably, global manufacturing is already in a recession, and in this regard, cuts in interest rates by central banks and falling bond yields make sense. However, other indicators suggest that the major economies are relatively resilient, at least for the moment. Most notably, employment remains strong in the US, Europe and Japan. Employment is generally regarded as a lagging indicator of economic activity. However, the fact that the developed economies are still creating jobs (even in the US, which is more than 10 years into its post-GFC recovery) is indicative that we are far from the extraordinarily problematic environment of the GFC, European sovereign crisis, or Chinese slowdown of 2016. It is in this context that the collapse in long-term interest rates is somewhat confounding. That is, that we are at record low long-term interest rates even though we are far from the crises of recent years.

Fig. 1: US and German Bond Yields Plummet in 2019



Source: FactSet, as at 30 September 2019.

Fig. 2: Global Manufacturing in Contraction Territory



Source: FactSet, as at 30 September 2019. The PMI is an indicator of the economic health of the manufacturing sector. It is derived from monthly surveys of purchasing executives at private sector companies and is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A reading of greater than 50 indicates expansion of the manufacturing sector when compared to the previous month, while a reading of under 50 represents a contraction.

In attempting to resolve this conundrum, it is worth noting that central banks have played an important role in setting long-term rates in recent years through their quantitative easing (QE) policies where they are active buyers of bonds.[1] In September, the ECB confirmed its intention to continue with its QE policy, and the Bank of Japan's QE program is ongoing. Thus, the collapse in bond rates in Europe and Japan partly reflects the actions of their central banks. While yields in other bond markets, such as the US or Australia, should reflect local conditions, there is a high degree of correlation between the global bond markets. As such, long-term interest rates in these markets have been heavily influenced by the policies of other central banks. Certainly, there is a sense that the short-term interest rate decisions of some central banks are being driven by concerns around unwanted currency appreciation resulting from interest rate differentials between countries.

The other explanation for the plunge in long-term interest rates is simply that the market is anticipating a significant global recession. It is not hard to arrive at such an outcome. The US approach to trade policy, not just with China but also the rest of the world, is increasingly erratic. It is possible (for an optimist) to interpret their most recent action of delaying the implementation of some of the tariffs until after the Christmas shopping period as an acknowledgement that the latest round of tariffs will impact US consumers and potentially signals a limit to the pain they are prepared to inflict on themselves. Then again, this could also be read as part of the 'on again – off again' approach of the last 18 months. Our base case is that a resolution between the US and China in the near term is unlikely.

The trade situation isn't the only uncertainty facing the world. There are the ongoing protests in Hong Kong and the growing tensions in the Middle East with the attack on the Saudi Arabian oil facilities. Either of these situations could readily escalate into a major event, impacting the global economy and markets. There is also the ongoing Brexit circus, which is undoubtedly weighing on consumer and business confidence in the UK. The US 2020 election campaign could be the next issue that dampens confidence. On the one hand, the leading Democrat nominees for president have policy agendas that are unlikely to engender business or market confidence. On the other hand, a second term for President

1 Quantitative easing (QE) is a monetary policy used by central banks to increase the supply of money by buying government bonds (and, to a lesser extent, other assets such as corporate bonds and shares) from the market. The intended outcome is to lower the yield on those assets, increase the total money supply in the financial system, and encourage more lending by banks and thus greater economic activity. Central banks use QE to stimulate the economy when interest rates are already at or close to zero.

Trump could be even more drama filled than the first, as he won't need to filter his actions by a desire to be re-elected.

At this point, while interest rate markets appear to be anticipating a significant slowdown, it is by no means a guaranteed outcome. Firstly, short-term interest rates are falling and while we, along with many others, question the likely effectiveness of such measures in encouraging growth, it is probably an improvement on 12 months ago when rates were rising. The one economy where rates may yet make a significant difference is China, where short-term interest rates e fallen from around 5% at the beginning of 2018 to below 3% today.[2]

There is of course a very real economic limitation on how long the policy of low to zero rates can persist. Banks play a critical role in the economy of taking deposits and recycling them as loans. While banks may resort to offering their customers zero rates on their deposits when interest rates are very low, the cost of gathering these deposits in terms of operating their branch networks is not insignificant. If banks are unable to lend at a margin above the total cost of raising these funds, then the banking system will break down. This is why the system cannot support rates significantly below zero.

Whether the current cuts in interest rates have any impact on engendering a recovery or not, it is very clear monetary policy is approaching its limitations. As such, it is not surprising to hear central banks around the world arguing that it is time for governments to pursue expansionary fiscal policies.

As such, it is likely in our view that governments around the world will be more inclined to boost spending and cut taxes. The US has already started down this path with significant tax cuts implemented in 2018. Over the last year, China has cut taxes and increased government spending, though the impact on the economy to date has been muted. Recently, France, the Netherlands and India have each announced significant tax cuts. In Germany, the debate has started on whether the government should enact fiscal stimulus. We expect this move towards larger government deficits to become part of the economic landscape over the next few

2 Source: FactSet, China 3-Month Shanghai Interbank Offered Rate (SHIBOR), as at 30 September 2019.

MSCI Regional Index Net Returns to 30.9.2019 (USD)

REGION	QUARTER	1 YEAR
All Country World	**0.0%**	**1.4%**
Developed Markets	**0.5%**	**1.8%**
Emerging Markets	**-4.2%**	**-2.0%**
United States	**1.4%**	**3.5%**
Europe	**-1.8%**	**-0.4%**
Germany	-4.0%	-7.1%
France	-1.7%	-1.6%
United Kingdom	-2.5%	-2.9%
Italy	-0.1%	3.9%
Spain	-3.8%	-3.5%
Russia	-1.4%	18.0%
Japan	**3.1%**	**-4.7%**
Asia ex-Japan	**-4.5%**	**-3.4%**
China	-4.7%	-3.9%
Hong Kong	-11.9%	-1.8%
Korea	-4.5%	-13.8%
India	-5.2%	4.7%
Australia	-1.4%	6.1%
Brazil	-4.6%	25.4%

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 30.9.2019 (USD)

SECTOR	QUARTER	1 YEAR
Utilities	5.5%	19.3%
Consumer Staples	3.6%	10.8%
Information Technology	2.6%	6.3%
Communication Services	0.3%	8.0%
Consumer Discretionary	-0.2%	1.0%
Industrials	-1.0%	-0.6%
Financials	-1.2%	-0.3%
Health Care	-1.4%	-2.5%
Materials	-4.6%	-4.8%
Energy	-5.5%	-14.9%

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

years. Whether this generates a pick-up in activity will depend on the speed at which governments act and the effectiveness of their programs. It is interesting that to date the actions have primarily focused on cutting taxes, but there is a risk that consumers and businesses will save some of the windfall rather than spend it, thus reducing the benefit hoped for by their government.

Market Outlook

With the collapse in interest rates over the course of this year, there has developed an extraordinary belief that interest rates will stay low for a long time to come. On one level, this is not a surprise to us, as we covered this topic at our investor and adviser roadshows in 2016.[3] What is interesting though is the high degree of certainty that this view is held, particularly when we believe that now is the time to start questioning whether this will continue to be the case. Simply, if there are co-ordinated fiscal expansions across the globe in the next few years, we may potentially see competition for funding drive up the cost of money. If this occurred during a period of relative full employment and high capacity utilisation in many industries, it may also result in higher inflation due to competition for resources. Currently, such a scenario is almost inconceivable, and certainly, we are not suggesting a significant change in the interest rate landscape in the next year. However, given the yield on the US 10-year Treasury was over 3% just nine months ago, it's not implausible that such levels could be readily regained within the next two to three years.

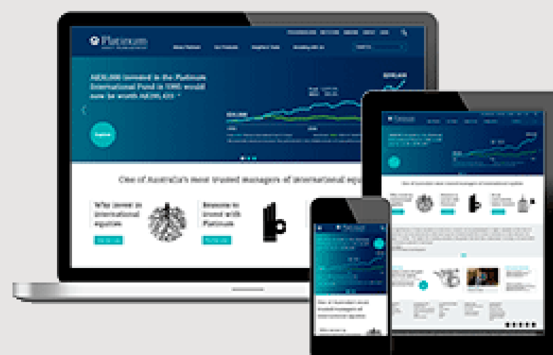
The implications of this strong global consensus on interest rates is critical for not only the overall performance of equity markets, but trends within the markets. Low interest rates have driven investors to seek returns elsewhere, including the stock market. Yet this is occurring at a time when there are many reasons to discourage investment in the market. Besides the political environment that we find ourselves in, there is the ongoing disruption of traditional business models by e-commerce and other technologies, that make investing in many of the traditional blue chip stocks a difficult proposition. The intuitive response of investors has been to avoid businesses that have any exposure to the economic cycle, trade war, or any other uncertainty. As such, investors have preferred to own defensive businesses including consumer staples, infrastructure, utilities and property, as well as fast-growing companies in areas such as e-commerce, payments, and biotechnology. As a result, as we have noted in past reports, the valuations of these companies have been pushed to very high levels.

If interest rates were to deviate from current expectations that they will remain low indefinitely, it is likely that this would result in significant falls in the prices of these popular and fashionable investments. Of course, with weak PMI readings and central banks in the midst of rate cuts it is early days to be making such a call. Nevertheless, when consensus views and positioning are clearly in one direction, investors should be cautious and consider alternative views. We expect that calls for fiscal stimulus by governments will continue to build and ultimately cast doubt on the "lower for longer view" on interest rates.

3 https://www.platinum.com.au/Insights-Tools/The-Journal/Platinum-Roadshow-2016

The Journal

Visit www.platinum.com.au/Our-Products/PAXX to find a repository of information about the Platinum Asia Fund (Quoted Managed Hedge Fund) (PAXX), including:



- NAV history and intra-day iNAV
- Distribution history and the Distribution Reinvestment Plan
- ASX releases and financial statements
- Monthly updates on performance, portfolio positioning and top 10 holdings

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**.

Over the last few months we have increased our video content. The short videos feature our portfolio managers commenting on market trends and where they are finding interesting investment opportunities.

Latest videos include:

- **Earnings Growth is the Key to Real Returns**[1]. CIO, Andrew Clifford, explains why individual company earnings and the cashflows they return to shareholders are the key driver of real returns over the medium to long term.
- **Innovation and Generational Change Shaping Japan**[2]. Change is afoot in Japan. Scott Gilchrist explains how generational, technological and long-awaited corporate governance changes are transforming its economy - providing many exciting and interesting investment opportunities.
- **The Rise of the Consumer and Private Enterprise in China**[3]. China's rapid adoption of technology and urban population density are key drivers of its astonishing economic transition. Dr Joseph Lai discusses where his team is finding attractive investment opportunities in the burgeoning consumer sector and what surprises him the most about China's economy.
- **The Growing Valuation Divergence Between Growth and Value**[4]. Clay Smolinski explains why there is a growing valuation divergence between growth and value stocks, how Platinum is responding, and why he expects the value-based approach will return to favour.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Value-Vs-Growth
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Innovation-and-Generational-Change-Shaping-Japan
3 https://www.platinum.com.au/Insights-Tools/The-Journal/The-rise-of-the-consumer-and-private-enterprise-in
4 https://www.platinum.com.au/Insights-Tools/The-Journal/The-growing-valuation-divergence-between-growth-an

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). "PAXX" refers to the Platinum Asia Fund (Quoted Managed Hedge Fund) (ARSN 620 895 427, ASX Code: PAXX). "PAF" refers to the Platinum Asia Fund (ARSN 104 043 110), the unlisted underlying fund into which PAXX invests primarily.

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. PAXX's returns are calculated using PAXX's net asset value (NAV) unit price (which does not include the buy/sell spread) and represent PAXX's combined income and capital returns over the specified period. PAXX's returns are pre-tax, assume the reinvestment of distributions, and are net of fees and costs as well as any accrued investment performance fee.

   PAXX's returns have been provided by Platinum Investment Management Limited. 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, PAXX's inception date (12 September 2017) is used. Platinum does not invest by reference to the weightings of the Index. PAXX's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, PAXX'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 PAXX'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") represents, as a percentage of PAF's net asset value, PAF'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 PAF's net asset value, PAF'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 exposures of PAF's portfolio as a percentage of PAF's net asset value, taking into account PAF's currency exposures through securities holdings, cash, forwards and derivatives. The table may not exhaustively list all of PAF's currency exposures and may omit some minor exposures.
5. The table shows PAF's top 10 long equity positions as a percentage of PAF's net asset 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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