Platinum ASSET MANAGEMENT

Platinum Asia Fund

(Quoted Managed Hedge Fund)®

(ARSN 620 895 427 | ASX Code: PAXX)

Quarterly Investment Manager's Report

30 September 2022

Platinum ASIA FUND (QUOTED MANAGED HEDGE FUND)

Investment Update

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

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Performance

(compound p.a.+ to to 30 September 2022)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
PAXX*	-8.7%	-17.6%	4.0%	4.2%	4.6%
MSCI AC Asia ex J Index^	-7.8%	-20.0%	0.3%	2.8%	3.0%

+ Excluding quarterly returns.

* 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 Research Systems.
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 2022 Quarterly Investment Manager's Report prepared for PAF by its Portfolio Managers. Please note that in this report, the "Fund" refers to PAF and portfolio details, such as portfolio disposition, top 10 holdings and currency exposure, pertain to PAF's portfolio. Please be aware that 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.

In Brief:

- The Asia region was generally weak, although India and Indonesia stood out as notable exceptions.
- Companies exposed to China generally declined, as economic challenges remained unresolved. Alibaba, JD.com, and AIA all saw their shares marked down. Concerns about weak demand and inventory destocking weighed on semiconductor holdings such as SK Hynix and Taiwan Semiconductor Manufacturing.
- Positive contributors to performance included InterGlobe Aviation, Jardine Cycle & Carriage, ICICI Bank, and AK Medical.
- As markets sold off, we modestly increased our exposure to take advantage of the improving value on offer. In China, we added to China Merchants Bank, grocery delivery company Dingdong, and financial services company Noah Holdings. We added to our positions in home appliances company Coway in Korea and property developer Ayala Land in the Philippines.
- Inflation remains an issue globally, but there are signs that rising rates may be having their desired effect. If central banks around the world wish to continue shrinking their balance sheets, this could present headwinds to asset prices for a while yet. However, as we have noted in the past, many markets across Asia appear relatively better placed in this regard. We are finding promising businesses to invest in at valuations that appear attractive. Short of extreme scenarios, we would expect the portfolio to deliver healthy returns over the medium-to-longer-term.

PAXX returned -8.7% for the quarter.[1]

This commentary relates to the underlying fund, the Platinum Asia Fund.

As the world grapples with inflation and rising interest rates, questions have started to arise about the sustainability of the global economic expansion. Meanwhile, we have seen a withdrawal of liquidity from major global markets, and many stock markets have been falling. The Asia region was generally weak, although India and Indonesia stood out as notable exceptions.

Despite the overall declines, there were a handful of bright spots in the portfolio during the quarter. Indian low-cost airline **InterGlobe Aviation** was the biggest contributor to performance (+16%), gaining on the back of good passenger volumes coming into the seasonally weak third quarter. **Jardine Cycle & Carriage** (+19%) was embraced by investors due to improving prospects for their commodity and automotive operations in Indonesia and Vietnam. Our holding in Indian bank **ICICI** (+22%) also performed well, driven by foreigners scrambling to deploy money into the Indian market. **AK Medical** (+31%), a Chinese manufacturer of prosthetic joints, picked up market share in the domestic industry, and its profit results came in ahead of investors' expectations, driving the share price higher.

On the negative side of the ledger, the sell-off was fairly broad-based. Concerns about weak demand and inventory destocking weighed on semiconductor holdings such as **SK Hynix** (-9%) and **Taiwan Semiconductor Manufacturing** (-11%).

Companies exposed to China generally declined, as economic challenges remained unresolved. **Alibaba** (-30%), **JD.com** (-21%), and **AIA** (-23%) all saw their shares marked down.

Foreign sentiment towards China seemingly continues to fall, with the Hong Kong-listed shares (H-shares) falling more than their mainland China-listed counterparts (A-shares) and are now trading at substantial discounts. For example, **Weichai Power's** H-shares declined 40% during the quarter, while the A-shares fell 23%, leaving the Hong Kong listing trading close to a 30% discount. **Ping An Insurance** experienced a similar divergence between H-shares (-27%) and A-shares (-11%).

We remained essentially unhedged on the currency, which helped reported Australian dollar performance.

1 References to returns and performance contributions (excluding individual stock returns) in this PAXX report are in AUD terms, unless otherwise specified. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

Disposition of Assets of PAF

REGION	30 SEP 2022	30 JUN 2022	30 SEP 2021
China	49%	48%	48%
India	10%	9%	10%
South Korea	10%	8%	9%
Vietnam	6%	6%	5%
Taiwan	5%	5%	6%
Hong Kong	4%	4%	7%
Philippines	2%	2%	2%
Macao	2%	2%	1%
Singapore	2%	1%	1%
Indonesia	1%	0%	0%
Cash	8%	14%	11%
Shorts	-1%	-1%	0%

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

Net Sector Exposures of PAF

SECTOR	30 SEP 2022	30 JUN 2022	30 SEP 2021
Consumer Discretionary	22%	20%	20%
Industrials	14%	12%	14%
Information Technology	14%	14%	14%
Real Estate	13%	13%	12%
Financials	12%	10%	13%
Consumer Staples	4%	4%	2%
Communication Services	4%	4%	4%
Materials	4%	3%	4%
Health Care	1%	1%	2%
Energy	0%	0%	0%
Other	4%	4%	4%
TOTAL NET EXPOSURE	91%	85%	89%

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

Top 10 Holdings of PAF

COMPANY	COUNTRY	INDUSTRY	WEIGHT
InterGlobe Aviation Ltd	India	Industrials	4.8%
Taiwan Semiconductor	Taiwan	Info Technology	4.8%
ZTO Express Cayman Inc	China	Industrials	4.8%
Vietnam Ent Investments	Vietnam	Other	4.3%
Samsung Electronics Co	South Korea	Info Technology	4.0%
Ping An Insurance Group	China	Financials	4.0%
Tencent Holdings Ltd	China	Comm Services	3.8%
China Resources Land Ltd	China	Real Estate	3.5%
Trip.com Group Ltd	China	Cons Discretionary	3.4%
Alibaba Group Holding	China	Cons Discretionary	3.0%

As at 30 September 2022. See note 4, page 11.
Source: Platinum Investment Management Limited.

Changes to the Portfolio

As markets sold off, we modestly increased our exposure to take advantage of the improving value on offer. In China, we added to **China Merchants Bank**, grocery delivery company **Dingdong**, and financial services company **Noah Holdings**. In Korea, we added to our small position in home appliances company **Coway**, a company that was introduced to the portfolio last quarter. In the Philippines, we also added to our holding in property developer **Ayala Land**.

We reduced our holdings in Hong Kong-listed life insurance company **AIA**, Chinese property developer **China Vanke**, and Chinese hotel operator **H World Group**, as market moves made them relatively less interesting propositions than other options available to us. We also continued to reduce positions in Indian bank **ICICI** and car manufacturer **Maruti Suzuki**, as valuations have been elevated.

Commentary

The recent poor performance in Asia has coincided with a relentless stream of negative headlines about China.

China has seen its economy face significant headwinds, stemming most notably from the property sector and the periodic and disruptive COVID lockdowns across the country. Debt levels have risen over the past decade or so. Meanwhile, a slew of regulatory changes led to an oft-voiced fear that the private sector could be in structural retreat. Add to this, the geopolitical backdrop of tensions on multiple fronts.

We would prefer it if many aspects of the current setup were different. Nevertheless, for the moment, we maintain a meaningful investment in the country. These topics are complex and varied. Our discussion here will necessarily be simplified, but hopefully it will provide a sense of our thinking.

As a starting point, it's important to acknowledge that it's easy to bring a perspective to this topic shaped by Australia's changing relationship with China. To see this in action, a recent survey run by the Australia Institute showed nearly one in four Australians think China will attack Taiwan soon, compared to only 5% of Taiwanese.[2]

2 https://australiainstitute.org.au/post/research-shows-impact-of-fearmongering-australians-more-frightened-of-china-than-taiwanese/

While on the topic, a war over Taiwan is clearly one of the most concerning scenarios to contemplate for any investment in the region. After Russia's invasion of Ukraine, territorial battles have once again entered the collective consciousness. Nancy Pelosi's visit to Taiwan led to increased tensions and military demonstrations. The consequences for the world of such a conflict are almost too horrific to contemplate. The media gravitates towards amplifying sensationalist opinions, but the more prosaic and sanguine views expressed by the active intelligence community barely get a mention.

No one has a crystal ball, and there is no way to categorically rule out worst-case scenarios. However, our base case is that a war over Taiwan in the near term is unlikely. The economic ramifications of a war for China and the world would be enormous. China's economy remains tightly integrated into global supply chains. Despite efforts to reduce interdependence, the scale of the task is such that it is impossible to achieve within any reasonable period of time without drastic reductions in the quality of life for populations on both sides. After decades of trade surpluses, China holds trillions of dollars of international assets. If they took actions that resulted in widespread sanctioning, it could effectively mean that they would never be repaid for much of those net exports of the past two decades.

Our sense is that recent economic challenges in China may have actually provided a check to hardliners and a timely reminder that in the modern world, prosperity relies on relatively peaceful coexistence and cooperation.

Turning to the economic issues, from a short-term perspective, there are two primary culprits for the weak conditions in China: regulations around the property sector and its zero-COVID policy.

Property regulations were put in place to constrain surging house prices. Property in China was viewed by many as a one-way bet, which led to bad behaviour. Certain developers, like Evergrande, adopted ponzi-like business models built on leverage rather than focusing on construction. Consumers were engaging in creative practices to increase their own exposure to this "sure path to riches". The government saw issues accumulating and decided to crack down on it. They limited the leverage available to developers to stop land-banking, thus forcing developers to construct the projects they took on. There were also tweaks to the land auction system and a range of other measures. Developers who had decided it was easier to bet on land price appreciation rather than the hassle of construction now find themselves in trouble.

Comparisons with the US housing crisis ring a little hollow for us. In the US, demand was not real, as buyers couldn't afford the houses (remember the "NINJA" loans = No Income, No Job, and No Assets). Secondly, derivatives were the "weapons of mass destruction", resulting in people taking on credit risk without appreciating the risks they were assuming, instead relying on the imprimatur of ratings agencies (e.g. the AAA-rated "CDO-squared" securities of the mid-2000s). In China, the end consumer has been in better financial health, and the bulk of loans sit with large financial institutions who are conservatively capitalised, taking and provisioning for risks under the watchful eye of regulators.

Of course, as the saying goes, when the economic tide goes out, some will be caught swimming naked. We have seen small financial institutions exposed for engaging in fraud. There have also been some developers defaulting, but the scale of losses – while not small – is not yet unmanageable.

Finally, you may have heard of consumers refusing to pay their mortgages. In China, when a property is purchased off the plan, the consumer takes out a loan for the full amount early in the construction process. These funds are supposed to be used for the construction of that project. In some cases, however, developers used those funds to purchase other land or engage in other projects, meaning consumers are left paying a mortgage on a property they do not yet own and are now uncertain when (or if) they will get the property. The developers who engaged in these practices are now facing solvency issues. This last aspect is an issue, which still needs a proper resolution.

On top of the challenges from the property sector, China's zero-COVID policy has also impacted economic activity. This shows up periodically in supply chain disruptions as well as consumer demand for things like local services and travel. It's surprising they have continued holding on to this policy, and our base case remains that at some point they will move on. The timing is uncertain, but as of today, most restrictions remain in place.

Clearly, there are aspects of all this that are uncomfortable. It is a situation we monitor closely and debate regularly. In the past three or four decades, the Chinese government has drawn credibility from the fact that it did improve living standards for the populace. With a weak economy and rising unemployment, our expectation is that this will sharpen its focus back on the basics of lifting living standards for the hundreds of millions of people still waiting to enter the middle class. If the government fails to respond to the economic challenges in the not-too-distant future, we would be concerned, but our expectation is that the current situation will serve as a reminder that the people of the country still want a better life. Where many observers see worrying trends of encroachment on the private sector, we largely see a government trying to work out how to achieve its social goals of securing and spreading wealth. These efforts are not always successful or effective, but the intent and direction still seem clear. Having had such a long period of unfettered growth, it took its eye off the ball, but we expect economic development will once again be re-prioritised.

All that said, we would highlight that despite the sharp sell-off in Chinese assets over the past year, we have not materially added to our position. While we remain optimistic that our investments in China should yield attractive returns, there are other attractive markets and assets across the region, and we continue to search broadly for opportunities.

During the quarter, members of our team visited Vietnam and Korea. Vietnam is a great economic story, still early in its development. Korea, meanwhile, is a technologically advanced country with a vibrant domestic economy. Historically, one challenge of investing in Korea has been poor corporate governance. However, legal and regulatory changes have been slowly improving these issues. New holdings were added to the portfolio as a result of this recent research trip, and we hope to tell you more about these opportunities in the near future.

Outlook

Looking at the broader macroeconomic environment, inflation remains an issue globally, but there are signs that rising rates may be starting to have their desired effect. If central banks around the world wish to continue shrinking their balance sheets, this could present headwinds to asset prices for a while yet. However, as we've noted in the past, many markets across Asia appear relatively better placed in this regard. We are finding promising businesses to invest in at valuations that appear attractive. Short of extreme scenarios, we would expect the portfolio to deliver healthy returns over the medium-to-longer-term horizon.

Macro Overview: Forget Picking the Bottom, Focus on Value

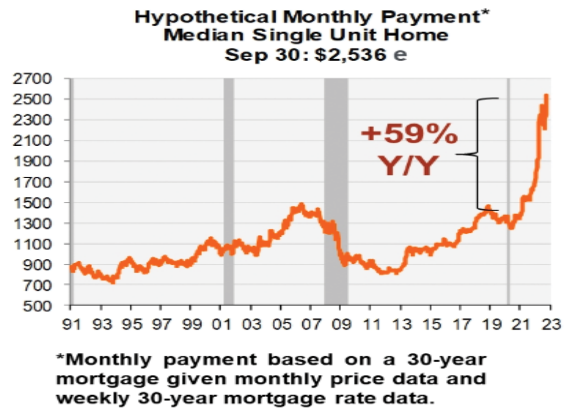
by Andrew Clifford, Co-Chief Investment Officer

In late September, CEO and Co-CIO Andrew Clifford sat down with Investment Specialist Julian McCormack to share his thoughts on interest rates, inflation, China, and Europe - and what they all mean for markets and Platinum's portfolios. An edited transcript of the conversation is below.*

JM: Andrew, there is a lot going on in the markets. Let's start with interest rates, how far will they go?

AC: This is everyone's question at the moment, and understandably so. The typical approach to answering this is to examine the underlying components of inflation and where they're heading. There is a lot of evidence indicating that inflation is starting to peak, although the one thing that is holding up is the employment market, which is still surprisingly robust. But at some point, inflation will roll over. I think the bigger issue here is how much interest rates have moved already. We've just been through one of the most extraordinary increases in interest rates. Coming off near-zero rates, yields on two-year US Treasuries are now around 4% and 10-year yields aren't far behind.[1] These are levels we haven't seen since 2008. When that degree of change in funding costs occurs in the economy, you have to expect some fall-out from that. One really interesting number is the cost of a mortgage in the US. Average monthly payments on a new mortgage for a median-priced house at current prices are up around 60% from a year ago, they have almost doubled from the pre-COVID period, and are up threefold from the lows of 2013/2014 (see Fig. 1). US households predominantly have fixed-rate 30-year mortgages, so they obviously aren't actually paying the higher payments, but it provides a real sense of just how much funding costs have changed in that economy, and it's not surprising to see activity in the US housing market in free fall. We need to turn our minds to the damage in the economy. I think what we have ahead of us is a very difficult period for company earnings across the board.

Fig. 1: US Monthly Mortgage Payments



Source: Piper Sandler.

JM: That comment about fixed mortgages is interesting. It's not costless. So, how do you move house when you can't take on a new mortgage?

AC: It's one of the interesting side effects of the US fixed mortgage market. For many people, they just simply can't afford to move. They have a good mortgage deal where they're living, and that is impacting labour flexibility at a time when the economy needs it the most. It works against one of the US' otherwise key strengths, in terms of the way people move around for jobs.

1 All market data in this Macro Overview are sourced from FactSet Research Systems, unless otherwise stated.

*The full interview is available in audio format on The Journal page of our website https://www.platinum.com.au/Insights-Tools/The-Journal

JM: If you're the US Federal Reserve, do you pause, keep raising, or cut?

AC: Well, I'm glad I'm not the Fed. It's not really a question for us as investors of what they *should do,* it's simply just a question of what they *will do*. Two or three years ago, when central banks were saying rates would be zero until 2024, I said, "Well, you shouldn't believe that". They tell us that because they need to build expectations in. They want you to believe it, so whether you're a consumer or a business, you will act as if rates are going to stay very low. Similarly, today they have to say rates are going up and build that same expectation. While they might slow the frequency and size of the rate increases, which will, of course, come to an end at some point, I think we're a long way away from seeing dramatic cuts in rates. There is a very real risk that if the Fed cuts rates too quickly, with those strong employment numbers and inflation still well ahead of interest rates, that they will reignite those inflationary forces.

JM: What could come out of left field in terms of monetary policy or its reformulation that could really change things?

AC: What I'd say, which is not answering your question directly, is that we've acted for a long time as if there are no limitations on the actions of governments. But the real economy, which is labour, people going to work, and the capital they use, is the real limitation on the economy. All governments are doing is redistributing funds and resources around the economy, and there are limitations on what they can do. We had a great example recently in the UK with the new Prime Minister, Liz Truss, and the new Chancellor of the Exchequer, Kwasi Kwarteng, thinking that they just needed to spend money to get things back up and running in what has been a very weak environment. The market didn't respond well to their proposed £45 billion mini-budget, comprising unfunded tax cuts and temporary measures to help with energy bills.[2] The market said there is no way they are doing that, because simply, it requires the rest of the economy and the globe to fund that decision. The UK government subsequently backtracked on cuts to the top tax rate. Inflation is telling us that we've come up against the limitations of how governments can spend.

JM: Let's go to the opposite extreme. How would you characterise China's situation and outlook given its last 40 years of economic history?

AC: There are a few questions we need to address around China, but I'll start with the simple economic one; the country is in, let's call it, a recession. Whatever the numbers say, this is the most serious downturn in growth since the economy opened up. At the centre of that downturn is a collapse in sales of new properties that is flowing through to construction and activity. This is a very important part of the Chinese economy and the collapse in volumes has come about as a result of policies designed to cap property prices. It's been a severe policy error that has destroyed households' confidence in the property market and property developers. The idea, though, that some great property bubble has popped is not really on the mark. They have not delivered nearly the amount of modern housing stock that the Chinese population needs. They have a problem. It's like a liquidity trap. Nobody wants to buy a property because they don't know if the developer is going to honour their commitment to develop the property. Confidence needs to be restored. There are announcements all the time of rescue funds being provided to the developers, not to get those developers back on their feet, but to ensure that these half-finished developments go ahead and are completed. I believe they're heading in the right direction on this front, and if they fix that problem, I think that will solve the economic slowdown there. Property sales may not get back to the huge, very high levels they were at, but they will most likely recover.

Of course, China has also had a resurgence in COVID, but we know that countries exposed to COVID get through it, one way or another. I'd be surprised if we weren't moving on shortly from that in China. We are also seeing lots of stimulatory actions. Monetary growth in China, for instance, is now accelerating and at the highest levels for quite a few years. In sum, we are very optimistic that China will come out of this recession, just as we would be for any normal functioning economy coming back from a downturn.

The other, obviously bigger issue with China that people are talking about is the political tensions with the West. Clearly, this concern will be with us for some time. My first response to this issue is always the same: our systems are so intertwined that for either side to ignore that in their interactions would have very significant implications economically, not just for China, but for the world. We can't predict the outcome; however, we would hope that good judgement prevails on both sides. When it comes to questions like an invasion of Taiwan, I think there is a lot of focus on the very unlikely possibility of that occurring rather than the things that might really happen, which could be quite damaging. I would add that the US security agencies that said Russia would invade Ukraine are saying right now that an invasion of Taiwan is highly unlikely and that there are no such preparations. It's more the middle ground where things can really hurt individual companies and portfolios; the very simple thing of sanctions, for example. Recently, the US imposed sanctions preventing NVIDIA from selling some

2 https://www.economist.com/leaders/2022/09/28/how-not-to-run-a-country

of its high-end graphic processing units (GPUs) to Chinese customers, which is very damaging to its business. Clearly, you don't want to invest in companies that are close to the Chinese government. You also need to be aware that when investing in high-tech areas, if China is a big part of their sales base, that's a risk. So, as investors, we need to be aware of these risks and ensure that we're not overly exposed.

JM: Moving onto Europe, the outlook there is clearly somewhat gloomy. How are you framing the extremely weak consumer confidence, the industrial slowdown, and the vulnerability around energy, versus what is generally a pretty good jurisdiction?

AC: Obviously, the war has had huge humanitarian costs not just in Ukraine but across Africa in terms of food supplies. However, if we just focus on the economic and investment implications, one of the biggest impacts is on the cost of energy. Companies across the board have seen a substantial loss in their competitive positions due to the higher energy prices, and we've certainly seen closures in capacity of fertiliser and chemical plants and the like. On the other hand, this has also been reflected in a weaker euro. We've obviously seen very dramatic strength in the US dollar versus all currencies, not just the euro, including the Australian dollar and the yen. There's a slightly different story for each, but it's mainly a US dollar story, which benefits the rest of the world in terms of their competitive positions. For Europe, the fall in the euro, which has been quite substantial by historic standards, has helped to level out the impact of the higher energy costs on industrial companies and restore profitability. The unknown question is how long energy prices will stay at this level. I would expect that over a two-to-three-year period, the intense pain Europe is feeling now will ultimately dissipate as new sources of energy are secured. We have already seen Europe manage to secure a significant increase in LNG imports and the like.

JM: American corporations, which have enjoyed some measure of global dominance, have the reverse problem with respect to the currency impact on revenues. How are you thinking about these and the headwinds they face?

AC: It's interesting because there has been a very different market response in places like Europe and Japan to the weakening of their currencies. Normally, you would expect, particularly for Japanese companies, such as the classic exporters like Toyota, to perform relatively well in yen terms, maybe even maintain their US dollar price, given the huge benefit they get from that. You would expect similar outcomes in Europe too. But that actually hasn't happened this time. On the other hand, you would have expected quite a lot of concern about earnings for US companies, based just on the strength of the US dollar. There's some talk about that, but not a lot. So, the market reaction has been very different to what we would have seen in earlier times.

I think this reaction partly reflects an aversion to business and geopolitical risk, but there's also recency bias at play here, where we remember what worked well before, so we go back to it. It's also worth noting that the US market was the most pumped up by monetary expansion, and while that's certainly faded, it's still benefiting from the tail-end of that, which is holding up US asset prices. It's been a really interesting market this year. In one way, there has been a stealth bear market for a number of years now for anything that's not in the 'growth' or 'defensive' camp. Their valuations have been continually marked down. When we entered this year, the world was looking like a pretty good place, so you would have expected economically exposed/cyclical companies to do well. However, we then had the extension of the recession in China due to a resurgence in COVID and Russia's invasion of Ukraine. As a result, companies that didn't meet those pure safety criteria have taken big hits, falling to crisis-level valuations - to levels that we saw at the bottom of 2009. Whereas the fade in glory of the great tech stocks is slow. We also saw this happen in 2001. It took a very long time for the likes of Oracle, Cisco, Dell, EMC, and Microsoft to reach their lows in both share prices and valuations, but they all ultimately fell to price-to-earnings multiples of 10, having been at 50, 60, or 70.

It will all depend on the earnings that companies deliver, because expectations are very high. The stock that has most severely disappointed investors to date is Meta Platforms (formerly Facebook), followed by Netflix in that group. Meanwhile, Google is an advertising business, and interest rates are rising a lot. I would be thinking very seriously about how earnings are going to unfold for that business in the next couple of years.

JM: People are quite obsessed with picking the bottom of markets. Going back to your initial point on interest rates, how much lower can US markets go? Or where are we in the market cycle?

AC: I think the best we can do is to look to history for a guide. We had an extraordinarily speculative bull market, particularly for companies with questionable business models with no earnings, or at the extreme, meme stocks like GameStop and so forth. This was driven by a huge torrent of money thrown at it by various policies that were put in place. Your natural inclination, given that the 'liquidity tap' has now been effectively turned off, is that this is going to be a pretty bad bear market. In the bear markets of 2000-2003 and 2007-2009, indices fell around 50%, and in some cases more in particular parts of the market. On that basis, I'm not sure why people are thinking it's going to be a lot different this time. Having said that, though, there are opportunities out there now as many stocks are already down 50-60% or more. Some of those are stable businesses sitting on nice earnings multiples. We've highlighted many of these types of companies in the past, such as semiconductors and auto companies. There are some pretty interesting assets out there, but growth and tech stocks have yet to adjust. People have also been hiding in a whole range of other more boring things lately, such as consumer staples (food, household products), utilities, and the like, where their businesses actually aren't performing particularly well, but have managed to hold onto valuations that are well ahead of where they were two or three years ago. You need to keep an open mind. People ask us how we are going to try and pick the bottom. In a sense, our response is that we don't try to pick the bottom but just respond to the value in stocks, both in terms of what we want to buy and what we want to sell. We are buying stocks that we think have extraordinary valuations, and we'll wait for the recovery of their businesses to come. On the other side of that, where we see companies that we think are in problematic environments and have high valuations, we're shorting them.

JM: Am I right in asserting that, say three years out, it looks like a somewhat higher nominal growth world than the last cycle that allowed this amazing ebullience for things that could either grow or behave like a bond?

AC: I think we will most likely return to an environment which looks more like what it did a couple of decades ago, where we had reasonable valuations and you could make money if you owned companies that delivered on earnings against that. I think, as we've already spoken about, China has an opportunity to recover, and Europe, under a different set of circumstances of dealing with their energy crisis, will also recover. The US economy will need to experience a slowdown first. Economic systems are incredibly robust and it will come back down to the real assets in the economy and what drives growth. Too often, people just focus on the financial side, but in three-to-five years' time, we will come out of these downturns, and companies that are trading on single-digit PEs with earnings in line with expectations or better, should perform well and reward investors.

MSCI Regional Index Net Returns to 30.9.2022 (USD)

REGION	QUARTER	1 YEAR
All Country World	**-6.8%**	**-20.7%**
Developed Markets	**-6.2%**	**-19.6%**
Emerging Markets	**-11.6%**	**-28.1%**
United States	**-4.8%**	**-17.6%**
Europe	**-10.2%**	**-27.0%**
Germany	-12.6%	-37.1%
France	-8.9%	-24.0%
United Kingdom	-10.8%	-14.1%
Italy	-8.5%	-28.5%
Spain	-14.1%	-25.6%
Japan	**-7.7%**	**-29.3%**
Asia ex-Japan	**-13.8%**	**-28.7%**
China	-22.5%	-35.4%
Hong Kong	-17.0%	-22.3%
Korea	-16.4%	-40.7%
India	6.5%	-9.9%
Australia	-6.7%	-16.4%
Brazil	8.5%	4.3%

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.

MSCI All Country World Sector Index Net Returns to 30.9.2022 (USD)

SECTOR	QUARTER	1 YEAR
Energy	-1.6%	16.2%
Consumer Discretionary	-2.8%	-27.1%
Financials	-5.9%	-18.7%
Industrials	-6.1%	-22.0%
Consumer Staples	-6.6%	-9.0%
Health Care	-7.0%	-11.5%
Information Technology	-7.3%	-26.6%
Materials	-7.6%	-18.5%
Utilities	-8.0%	-4.8%
Real Estate	-12.4%	-22.5%
Communication Services	-14.0%	-38.0%

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

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**.

Recent highlights include:

- **Webinar - Shifting Sands: The Cycle Looks to Have Changed - Should Your Investments Change Too?**[1] Investment specialists Julian McCormack and Henry Polkinghorne provide a cautionary view of the deflating US equity bubble, the ongoing threat that abnormally high levels of inflation pose to asset prices, and a look at how the current situation is quite different for the Chinese economy.
- **Video - Riding the Energy Capex Wave.**[2] Following an eight-year recession in capital spending and extensive cost-cutting, the oil and gas industry is seeing a large step-up in activity as countries seek to invest in and develop new sources of supply. From our experience, when you combine a big increase in spending with an extremely lean industry, excellent profit outcomes can follow, as co-CIO and portfolio manager Clay Smolinski explains.
- **Video – Batteries Enabling the Energy Transition.**[3] Batteries are a key enabler of the energy transition, not just for home and grid storage but also for transport applications. Rapid growth, high barriers to entry, and massive innovation are just three reasons Liam Farlow believes batteries are an exciting area to invest in over the next 5-10 years.
- **Video - Power Semiconductors Powering Our Lives.**[4] A key part of Platinum's investment process is to look for areas of change that are underappreciated by the market. The wide adoption of EVs and the transition to green energy will have a profound effect on the power semiconductor market and our lives, with the No. 1 manufacturer, Infineon Technologies, just one of many companies that have captured our attention, as Jimmy Su explains.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Shifting-Sands-The-Cycle-Looks-to-Have-Changed-Sho
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Riding-the-Energy-Capex-Wave
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Batteries-Enabling-the-Energy-Transition
4 https://www.platinum.com.au/Insights-Tools/The-Journal/Power-Semiconductors-Powering-Our-Lives

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 by Platinum using PAXX's net asset value unit price (i.e. excluding the buy/sell spread) and represent the combined income and capital returns over the specified period. PAXX's returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, PAXX's underlying 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 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. other than "cash" and "shorts") shows PAF's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. 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 PAF's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
3. The table shows PAF's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
4. The table shows PAF's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

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