Platinum
ASSET MANAGEMENT

Platinum Asia Fund

(Quoted Managed Hedge Fund)®

(ARSN 620 895 427 | ASX Code: PAXX)

Quarterly Investment Manager's Report

31 December 2019

Platinum
ASIA FUND
(QUOTED MANAGED HEDGE FUND)

Investment Update

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

Joseph Lai
Portfolio Manager

Performance

(to 31 December 2019)

	QUARTER	1 YEAR	2 YEARS	SINCE INCEPTION PA
PAXX	6.2%	17.8%	3.2%	7.6%
MSCI AC Asia ex J Index	7.3%	18.3%	6.1%	9.6%

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 31 December 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.

PAF (C Class) returned 6.1% for the quarter and 17.6% for the year.

It was a stronger quarter in an otherwise lacklustre year for Asian markets. Given the attractive valuations in the region, a partial resolution of the trade dispute in mid-December was sufficient to prop up the equity markets.

An improvement in investor sentiment assisted the Fund's performance over the quarter with our fast-growing Chinese internet stocks making a positive contribution. Key contributors included **58.com** (classified advertising, +31% in local currency terms over the quarter), **Meituan Dianping** (food delivery, +27%), and **Alibaba** (e-commerce, +27%). Chinese property developers also performed well, benefiting from the incremental relaxation of the very strict property purchase policies. **China Jinmao** gained 35% and **China Overseas Land & Investment** rose 23%.

Elsewhere, with the arrival of 5G, semiconductor names continued to perform well. **Taiwan Semiconductor Manufacturing** (semiconductor foundry) and **Samsung Electronics** (DRAM) rose 22% and 14% respectively over the quarter. **Bharti Airtel** (Indian Telco) rose 24%, benefiting from an increase in mobile user tariffs (charges).

Changes to the Portfolio

We added to our exposures in the region when opportunities presented themselves. PAF's net invested position has risen from a low of 63% in May to 91% by the end of the December quarter.

We are particularly interested in companies that are investing in research and development (R&D) or infrastructure, and can set themselves apart from their competitors, gain market share and become industry champions in due course.

One such example is **Reliance Industries**, a new position in the Fund during the quarter. Based in India, its traditional business is in oil refining and petrochemicals. Over the last decade, it has invested ~US$45 billion to build a brand new pan-Indian 4G mobile network. Reliance started with zero customers and in just three years has accumulated 400 million users. It has become the dominant 4G operator in India and is still capturing the lion's share of new subscribers.

The company has very ambitious plans of being the dominant player in the cloud, internet and mobile payments businesses in India. Given its dynamic and capable management, and the nascency of these businesses in India, we believe it has incredible potential. Earnings growth is in its early stages and the stock is only trading on a price-to-earnings (P/E) multiple of 16x.

Commentary

There were a number of topical issues during the quarter.

Firstly, the trade war that has plagued the Asian markets over the last 18 months is finally seeing some resolution. This is clearly a positive development as it reduces uncertainty (to some degree) in business decision making.

While welcomed, it may be too optimistic to assume this is a permanent end to the strategic competition between these two superpowers. Some of our readers may remember members of the US Congress using a sledgehammer to destroy a Toshiba radio on top of Capitol Hill in the late 1980s, when significant tariffs were levied on Japanese electronics and automobiles exports. The Japanese yen strengthened against the US dollar, reducing the competiveness of Japan's exports. Despite this, the Japanese economy continued to grow, and its stock market enjoyed a raging bull run, culminating in a bubble, which subsequently burst. This was a decade of intense trade friction between the US and Japan. Unlike Japan, the Chinese stock market is far from a being a bubble and we believe strong domestic businesses can do well even in the face of severe trade tensions.

Secondly, the Hong Kong protests continued throughout the quarter. From our perspective, the situation is complex and is most likely rooted in severe wealth disparity, lack of opportunities for the youth, and perhaps missteps made by the Hong Kong authorities in effectively dealing with the concerns of its people. As many of the issues are structural in nature, it is likely that the protests and unease will persist for some time, which will negatively impact Hong Kong's economic prospects, particularly in the tourism and retail trade sectors.

From an investment perspective, the impact is relatively minor. Hong Kong is only ~3% of the Chinese economy, and there is little prospect of the unrest spilling over to the mainland. We have no exposure to assets directly linked to the Hong Kong economy.

Often it is during these periods of turbulence and macroeconomic uncertainties that provide us with rare opportunities to acquire good and strong businesses at exceptional prices, for the longer term.

Despite these issues, Asian economies will continue to grow by simply catching up to the productivity levels of the more developed countries, to the point that they will be too big to ignore. For example, in 10 years' time, three Asian economies (China, India and Indonesia) will rank amongst the top five economies in the world in terms of economic output (i.e. gross domestic product).

Disposition of Assets of PAF

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
China^	46%	39%	33%
Hong Kong	9%	7%	4%
Taiwan	7%	5%	0%
Korea	11%	10%	11%
India	11%	10%	16%
Thailand	3%	4%	4%
Philippines	3%	3%	3%
Vietnam	3%	3%	2%
Cash	8%	20%	26%
Shorts	-1%	-1%	-4%

^ 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.

Source: Platinum Investment Management Limited.

Net Sector Exposures of PAF

SECTOR	31 DEC 2019	30 SEP 2019	31 DEC 2018
Consumer Discretionary	20%	17%	9%
Information Technology	19%	14%	3%
Financials	18%	15%	20%
Communication Services	12%	15%	11%
Industrials	6%	5%	8%
Real Estate	6%	5%	5%
Energy	3%	1%	6%
Health Care	2%	2%	-1%
Consumer Staples	1%	0%	5%
Materials	1%	1%	2%
Utilities	0%	1%	1%
Other*	3%	3%	2%
TOTAL NET EXPOSURE	91%	80%	70%

* Includes index shorts and other positions.

See note 3, page 11. Numbers have been subject to rounding.

Source: Platinum Investment Management Limited.

The key focus for us, is to find domestically oriented companies that can effectively tap into the resilient growth trajectory. Below are the key themes and companies the Fund has exposure to.

China - We have exposure to the 'best-in-class' **life insurance** companies – AIA Group and Ping An Insurance. Life insurance in China is under penetrated, and the best players will take the lion's share of this growing market as people seek to protect their emerging wealth. For example, despite the concerns over China slowing down, AIA grew its Chinese business by about 40% in the first half of the year. Currently, AIA is only operating in four regions in China, and the opening up of the financial services sector will allow AIA to provide insurance cover for the entire Chinese market i.e. six times more people then they can currently sell their products to.

Internet companies - All of the internet companies that we are invested in are industry champions with large under-penetrated markets to tap into, which are growing by at least 20% p.a., for example:

- **Momo** – the 'Tinder of China' - is growing by 25% p.a. and trading on a P/E multiple of 12x .
- **Meituan Dianping** – the 'Uber Eats of China' – is growing by 40% p.a..
- **Trip.com** – the 'Bookings.com of China' – is growing by 20% p.a. (as it benefits from outbound tourism) and is trading on a P/E of 21x.

Healthcare companies – A range of innovative domestic companies are supplying, or seeking to supply, the latest in medical devices, immunotherapy and gene therapy in a grossly under-served Chinese market. Their products are world class – with some Chinese companies working with reputable Western companies, while others have acquired the necessary technologies or invested heavily in R&D. China has a long way to go to catch up to the level of healthcare provisioning required. The market is nascent. The ramp up of medical coverage will create an enormous market for those companies that have good products and are well positioned.

India – We have exposure to **telecom companies,** including Reliance Industries (mentioned above). Investment in telecom infrastructure is a 'game changer' in India. The problem has been that tariffs are too cheap – with customers paying just US$2 per month on average for unlimited access to the internet. The industry has consolidated with only three players left, and all of them are now raising prices. The impact will result in a drastic improvement in profitability, which should be favourable for the companies we are invested in.

Net Currency Exposures of PAF

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
US dollar (USD)	37%	57%	41%
Hong Kong dollar (HKD)	28%	29%	27%
Indian rupee (INR)	11%	10%	17%
Korean won (KRW)	11%	10%	10%
Chinese yuan (CNY)	9%	5%	15%
Taiwan dollar (TWD)	7%	5%	0%
Thai baht (THB)	3%	1%	4%
Philippine peso (PHP)	3%	3%	3%
Vietnamese dong (VND)	3%	3%	2%
Australian dollar (AUD)	0%	0%	1%
Chinese yuan offshore (CNH)	-12%	-24%	-20%

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

Top 10 Holdings of PAF

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Tencent Holdings	China	Comm Services	6.0%
Alibaba Group Holding	China	Cons Discretionary	5.7%
Samsung Electronics Co	Korea	Info Technology	5.6%
AIA Group Ltd	Hong Kong	Financials	4.9%
Taiwan Semiconductor	Taiwan	Info Technology	4.7%
Midea Group	China	Cons Discretionary	3.8%
Ping An Insurance	China	Financials	3.5%
SK Hynix Inc	Korea	Info Technology	3.4%
58.Com Inc	China	Comm Services	3.0%
Reliance Industries Ltd	India	Energy	3.0%

As at 31 December 2019. See note 5, page 11.
Source: Platinum Investment Management Limited.

Korea - We like **semiconductors**. There are three memory chip producers in the world and demand for these products continues to grow, especially with the advent of 5G, iPhone 11, Internet of Things (IoT) and the cloud. The industry had been over-supplied but has recently reduced its capacity. Trading on around 1.4x price-to-book (P/B), Samsung Electronics is set to grow its earnings by 30% p.a. for a few years – that's not even assuming enthusiastic memory prices, and it is trading on a P/E of only 13x. It is very attractively valued in this secular growth oligopolistic industry.

Vietnam/Philippines – These economies have been beneficiaries of the US-China trade dispute. Their incomes are still very low but growing and economic prospects are improving. We continue to hold a position in two Vietnam companies, Tech Comm Bank and Vietnam Enterprises, and two Philippines companies, Ayala Land and SM Investments.

Outlook

The best predictor of returns is the starting valuation, and valuations in the Asian markets are very attractive with share prices weighed down by concerns over global economic prospects. Yet curiously, the fundamental drivers of economic development in Asia are, and continue to be, firmly entrenched in the region.

The markets are grappling with the gradual reconfiguration of the uni-polar world towards a multi-polar one, and this seismic change is understandably creating uncertainty in the markets. The most likely outcome is an inexorable rise of Asian economies encompassing not just China, but an amazing mix of diverse and dynamic economies like India and ASEAN economies, constraining and collaborating with one another. The region has more than half of the world's population, and their industrialisation will catch up with the developed countries. This will usher in a true realisation of the Asian century and we believe Asia's longer-term prospects look bright.

Regardless, the economic outlook has improved with a trade deal reached between the two superpowers, signs that global monetary policy loosening is having a positive effect on the global economy, and most importantly, leading economic indicators suggesting that the manufacturing slowdown has bottomed.

The easing of the uncertainty brought about by the trade dispute may reinvigorate economic activity. As the market is not positioned for a pick-up in activity, any upturn could surprise the market in terms of its magnitude and duration. We see this as a positive development for the region's attractively valued asset markets.

In Asia, we have been able to identify a large number of strong businesses with resilient characteristics that are cheap in absolute terms and relative to most other global markets.

Given the likelihood of improving economic prospects and extremely attractive valuations, the Fund will continue to deploy capital into quality companies with resilient characteristics.

Macro Overview

by Andrew Clifford, CIO, Platinum Investment Management Limited

Interest rates – a tailwind or headwind for equities in 2020?

In our September quarterly update[1] we discussed the strong consensus that had developed among investors and commentators that interest rates would remain at low levels for some time to come, or as it has become known as, the "lower for longer" view. Whenever such strong agreement is present amongst investors it is important to consider the alternative view.

As noted in our last report, long-term interest rates have fallen to the same levels (or lower) as those experienced in prior periods of significant weakness in the global economy, such as the 2012 European sovereign crisis or the 2016 Chinese investment slowdown. While global manufacturing has certainly weakened, and there is significant political uncertainty, is the environment really that weak to justify such low levels of interest rates?

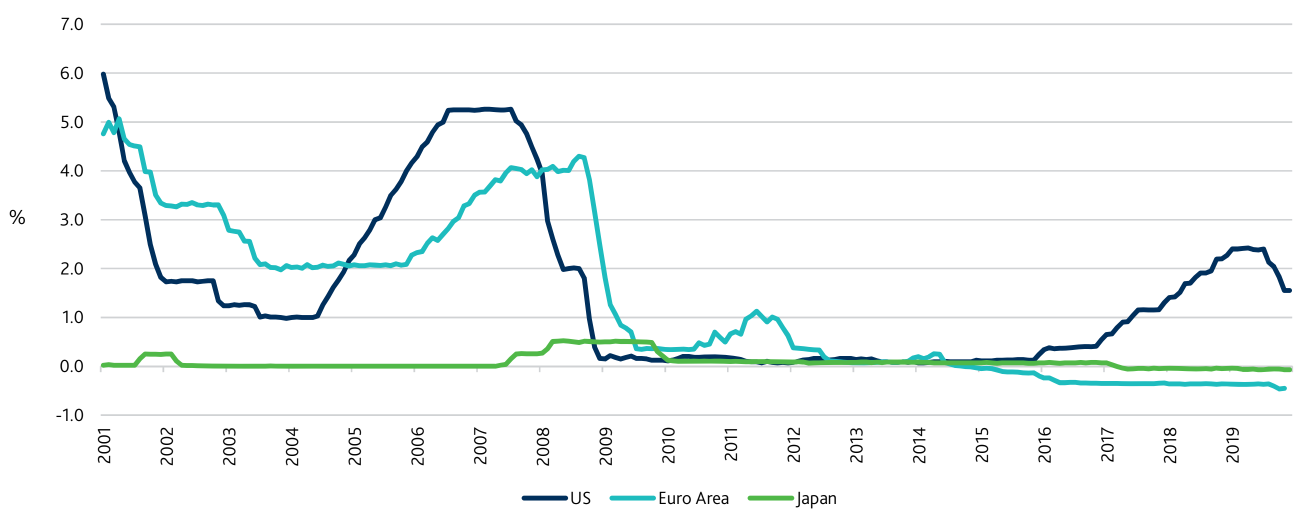
Employment in the major economies suggests otherwise. Over the last five years, the US economy has added 9.8 million jobs, representing a 7% increase in the workforce over that period. Similarly, Europe has added 8.7 million jobs, an increase of 6%, and Japan, with a declining working age population, has added over 1 million jobs, an increase of 2%. While employment is a lagging indicator of economic activity in the short term, these numbers suggest we have experienced a period of relatively robust global growth - one that is not consistent with such low interest rates.

Many investors may observe that interest rates have been low for much of the last 30 years, reaching new lows each cycle, irrespective of the severity of the downturn. The answer then, is simply that **interest rates do not reflect the level of economic activity, but rather the interest rate policies of the world's central banks.** With official interest rates below zero in Japan and Europe (see Fig. 1), the limitations of such policies are coming to the fore. The central banks cannot simply continue to reduce rates to ever-more negative levels as depositors, where feasible, will seek to leave the banking system, potentially threatening its viability.

With central banks either close to, or having reached, the end of the road on lower interest rates, it is interesting to note that central banks around the world are calling for an increase in government spending and fiscal deficits to support economic activity. The European Central Bank, Bank of Japan and Reserve Bank of Australia all made calls in late 2019 for their respective governments to increase fiscal stimulus.

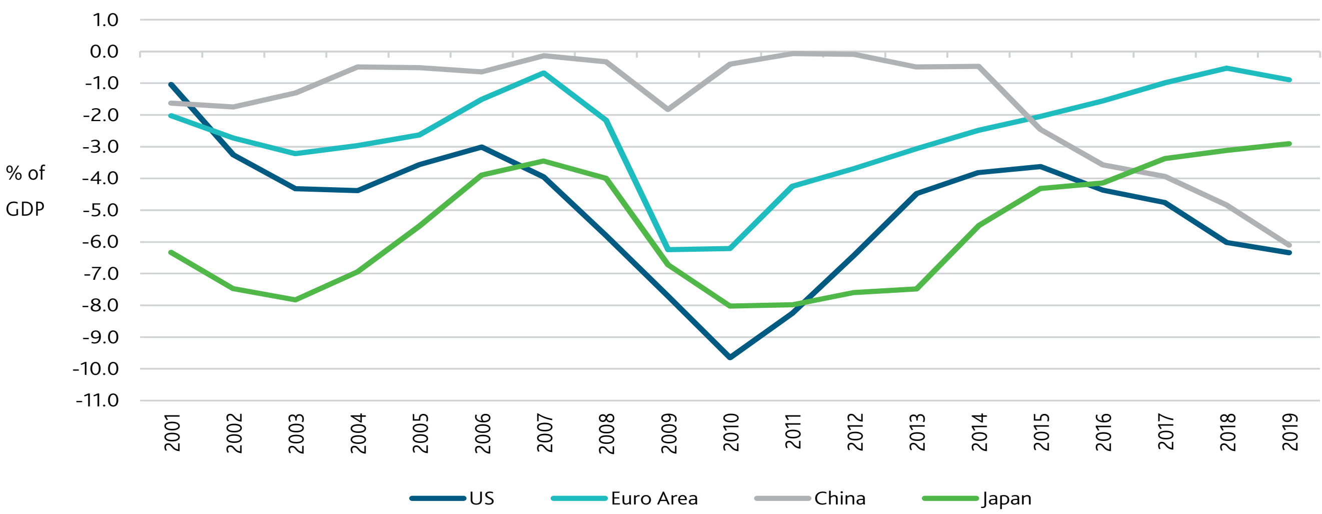
1 https://www.platinum.com.au/PlatinumSite/media/Reports/paxxqtr_0919.pdf

Fig. 1: Central Bank Official Interest Rates - At the End of the Road for Europe and Japan?



Source: FRED - Federal Reserve Bank of St. Louis Economic Data, as at November 2019.

Fig. 2: Government Budget Balances (% of GDP) - Europe and Japan are Best Placed for Fiscal Stimulus



Source: IMF, as at December 2019.

The effectiveness of low and negative rates in encouraging economic activity and the potential side effects, such as increasing indebtedness, is also under discussion. In December, Sweden's central bank, Riksbank increased its repo rate from -0.25% to 0%, in spite of a slowing economy, quoting concerns about the "negative effects" that may arise from long periods of negative rates. It would not surprise us to see further discussion around the effectiveness of very low interest rates, with central banks ultimately looking for a way out of the corner they have painted themselves into. The immediate issue facing the central banks, as they try to normalise rates, is the level of indebtedness in their economies that these policies have encouraged. It is interesting to note, that such a strong consensus on "lower for longer" has developed at a time when central banks are signalling that current interest rate policies may have run their course.

While any move toward normalising interest rate structures may be a long way off, other factors may lead to a pick up in activity in 2020 and beyond, leading to an uptick in inflationary pressures and interest rates. With encouragement from central banks to increase spending and deficits, it is hard to imagine that governments will not follow this recommendation. The US has already undertaken significant fiscal expansion as a result of the 2018 tax cuts, with its deficit currently running at around 6% of GDP (see Fig. 2). Nevertheless, given that the markets are happy (for the moment) to finance this debt at interest rates of less than 2% p.a., and with concerns around the impact of the trade war and an election year underway, an additional round of stimulus is conceivable. China's fiscal deficit has also increased substantially (currently estimated at 6% of GDP) due to tax cuts and spending initiatives over the last 18 months. Given the Chinese government's stated desire to restrain the growth of debt across the economy, policy makers are probably somewhat constrained on additional fiscal measures.

This leaves Europe, where the fiscal deficit is around 1% of GDP, and Japan where the fiscal deficit has fallen to 3% of GDP, as the most likely sources of significant additional fiscal stimulus. As discussed last quarter, France and the Netherlands have announced tax cuts, and during the December quarter, Japan passed a supplementary budget of 13.2 trillion yen (or 2% of GDP). Today, Europe and Japan run the world's largest current account surpluses in absolute dollar terms, which means these economies are significant sources of funding for activity across the rest of the world. If fiscal stimulus results in European and Japanese excess savings being applied within their own economies in any significant way, it is likely to result in greater competition for financial resources across the globe, resulting in upward pressure on long-term interest rates. In addition to the competition for financial resources, any stimulus will come at a time when labour markets in the major economies are relatively tight, which could create some degree of wage inflation, and a further source of upward pressure on interest rates.

Finally, the December quarter saw the promise of a 'phase one' trade deal between the US and China, to be signed in the New Year.[2] Based on events of the last 18 months, even if the deal is signed, we shouldn't expect that the trade issue will be set aside completely. Nevertheless, it represents a clear retreat by the US administration from its most extreme positions on trade.

The UK general election result reduces the uncertainty in both the UK and European economies, with the UK exiting the European Union in a more orderly fashion. Both of these outcomes should result in an improvement in business confidence globally.

2 The US and China announced details of a 'phase one' trade deal on 13 December 2019. The US agreed not to proceed with the new tariffs that were due to commence on 15 December 2019 and to also cut existing tariffs on ~US$120 billion in Chinese goods to 7.5% (from 15%) after 30 days of signing the deal. The US's 25% tariffs on ~$US250 billion on Chinese goods will remain. In exchange, China agreed to buy ~US$200 billion in US products over two years, including US$40-50 billion in agricultural goods. The deal also included Chinese concessions on intellectual property (IP) protections and forced tech transfers, and currency and financial-services provisions. Source: FactSet

While the consensus remains that interest rates are not going to rise anytime soon, it is not inconceivable that the economic environment improves over the course of 2020, as a result of fiscal stimulus and less uncertainty around issues such as trade and Brexit. Indeed, we would not be surprised to see rates moving higher over the next 18 to 24 months, back to levels seen at the end of 2018, when US treasuries peaked at above 3%. Certainly problems remain that may derail such an outcome. Most notably the US election process has the potential to create significant noise and uncertainty. Additionally, domestic political protests such as those in Hong Kong and elsewhere, look difficult to resolve, and could potentially escalate further.

Nevertheless, our suggestion is that rates may return to where they were a little over 12 months ago. At that time, the world did not look so different to today.

MSCI Regional Index Net Returns to 31.12.2019 (USD)

REGION	QUARTER	1 YEAR
All Country World	**9.0%**	**26.6%**
Developed Markets	**8.6%**	**27.7%**
Emerging Markets	**11.8%**	**18.4%**
United States	**9.0%**	**30.9%**
Europe	**9.0%**	**24.1%**
Germany	9.9%	20.8%
France	8.5%	25.7%
United Kingdom	10.0%	21.0%
Italy	8.1%	27.3%
Spain	6.0%	12.0%
Russia	16.8%	50.9%
Japan	**7.6%**	**19.6%**
Asia ex-Japan	**11.8%**	**18.2%**
China	14.7%	23.5%
Hong Kong	7.3%	10.3%
Korea	13.4%	12.5%
India	5.3%	7.6%
Australia	4.3%	22.9%
Brazil	14.2%	26.3%

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 31.12.2019 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	14.5%	46.9%
Health Care	13.7%	22.7%
Materials	9.3%	20.1%
Financials	9.0%	23.2%
Consumer Discretionary	8.2%	27.7%
Communication Services	8.2%	24.6%
Industrials	7.4%	26.4%
Energy	5.8%	12.8%
Consumer Staples	2.6%	21.6%
Utilities	2.3%	21.1%

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

While a discussion of interest rates rarely makes for exciting reading, it is currently the critical issue for investors in all asset classes. There are three ways that interest rates are impacting markets today, the first two are perennial features of markets, and the third is peculiar to current circumstances.

The most obvious of these, is the role interest rates play in the valuation of assets. The value of any given asset is a function of the future cashflows that it will produce and the appropriate risk-adjusted interest rate.[3] This is true for all assets, whether it is a listed company, rental property, toll road, or government bond. In theory, the lower interest rates are, the higher the value that should be ascribed to an asset for a given set of expected future cashflows. The impact of ever-falling interest rates has been a significant tailwind for the performance of all asset classes globally for over 30 years. We have all experienced this phenomenon, not only in our investment portfolios, but also in the prices of residential property in most markets. While there may be questions of the efficacy of low rates on economic growth, there can be no question regarding the impact of low interest rates on the performance of asset markets. Of course, the role of interest rates in the price of assets is one of the most basic concepts in finance, but worth remembering at this time because as rates reach their bottom, we lose this tailwind and it potentially becomes a headwind. While some postulate that if rates stay low, valuations will continue to head higher, the experience in Japan where rates have been below 2% for 20 years, was that the average valuation of the market halved.

The second impact of low rates occurs in the real world, where the hurdle rate for real investment is lowered. Today, this is most readily observed in the willingness of investors to fund new projects in e-commerce, software, biotech, and other high growth areas, where poor short-term returns on investment are accepted for the potential of a significant long-term pay-off. However, in many cases the amount of capital invested in an area will drive down the attractive return investors are after in the first place. Uber's ride-sharing business is an interesting example where a company, despite achieving a leading position in a new e-commerce field, faces the continual rise of new entrants, which we would simply put down to the generous funding these competitors have already received. Only once these funds have been lost, or access to them removed, will rationality prevail. A similar experience has occurred for investors in the US shale oil sector, where plentiful capital has ultimately led to very poor returns and consequently companies are now struggling to receive debt or equity funding for such ventures. The low cost of money will see funds attracted by the most exciting opportunity of the moment, ultimately driving down returns. Simply, the availability of cheap money actually changes the future cashflow of the industry, and thus the valuation. This premise fits neatly with our approach of avoiding the crowd, as any sector or business idea that is attracting significant capital today, is likely to have a difficult future.

The third impact of low interest rates has been to push investors to seek returns elsewhere, including the stock market. As we have previously discussed, this occurred at a time when there were many reasons to discourage investors from the market, from the global political environment to the disruption of traditional business models. As a result, investors in entering the market have sought either defensive names (i.e. consumer staples, infrastructure, utilities, and property) or high growth areas (i.e. e-commerce, software, payments, and biotech) that are regarded as relatively immune to these issues. Investors simultaneously avoided businesses facing uncertainty (i.e. cyclicals), and in particular those impacted by the trade war (i.e. China generally, automobiles, and electronics). This has resulted in a significant divergence in valuations, with the growth and defensive stocks trading at high levels and the rest of the market trading at generally more attractive valuations. A move to higher interest rates will be particularly challenging for these highly valued sectors.

On the back of optimism around the US-China trade negotiations and the UK general election, markets have entered 2020 on an enthusiastic note. This may continue for some time, but if it is the presage of better economic times, it is hard to see how long-term interest rates can remain suppressed. Given how important the higher-valued defensive and growth stocks have been in driving index levels, a period of softer returns is likely ahead in the broad market.

3 Usually referred to as the discount rate in finance.

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

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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 videos and articles include:

- **In Conversation with Platinum's Founder, Kerr Neilson.**[1] Kerr Neilson chats with Douglas Isles on a wide range of topics - the relevancy of behavioural finance today, where he is seeing the greatest change around the world and the exciting investment opportunities it presents, as well as what lies ahead in 2020.
- **Disruption and Survival in the Consumer Market.**[2] The rapid adoption of new technologies is transforming consumer behaviour. Jamie Halse explains how the consumer team differentiates between the 'disruptors', 'thrivers', 'survivors' and 'untouchables', and the investment opportunities this creates.
- **Standing out from the Crowd.**[3] Phil Sellaroli explains the pivotal role Platinum's trading team plays in the investment process – from idea origination to trade execution and risk assessment. Providing a vital market filter to the investment team, they identify long-term buying/selling opportunities in a market often focused on short-term events.
- **Pencils, Balloons and BMWs – What's it all About?**[4] Julian McCormack provides an entertaining analogy of the current market. While we never know what will be the catalyst that 'pops' an extended market, we do know what the inherent risk is. We need to be vigilant to not only avoid the danger but also identify the value that's on offer.
- **Food Delivery: Delivering Growth, but can they Deliver Profits?**[5] The food delivery space has evolved significantly over the past few years. With many of us now ordering takeaway food simply from an app on our phone, total food sales of listed food delivery platforms in the Western hemisphere have soared to US$18 billion in the first half of 2019. But not all operators are profitable. Jimmy Su and Jamie Halse explain what it takes to be successful.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/In-Conversation-with-Kerr-Neilson
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Disruption-and-Survival-in-the-Consumer-Market
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Standing-out-from-the-Crowd
4 https://www.platinum.com.au/Insights-Tools/The-Journal/Pencils-balloons-and-BMWs
5 https://www.platinum.com.au/Insights-Tools/The-Journal/Food-Delivery-Delivering-Growth

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.
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2. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the market value of PAF's positions, PAF's effective exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices. "Shorts" relates to the effective exposures to short securities and short securities/index derivative positions.
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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