Platinum
ASSET MANAGEMENT

# Platinum Global Fund®

# Quarterly Investment Manager's Report

30 September 2019

Platinum
GLOBAL FUND

ARSN 600 630 537

# Investment Update

## Platinum Global Fund

**Clay Smolinski**
Portfolio Manager

## Performance

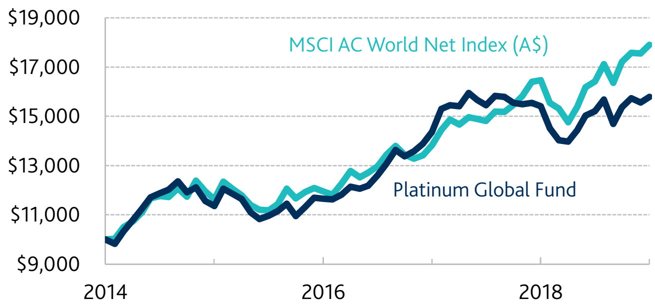
**(compound pa, to 30 September 2019)**

| | QUARTER | 1 YR | 3 YRS | 5 YRS | SINCE INCEPTION |
|---|---|---|---|---|---|
| Platinum Global Fund* | 2.7% | 2.4% | 10.7% | 9.6% | 9.6% |
| MSCI AC World Index^ | 4.0% | 8.8% | 14.4% | 12.4% | 12.9% |

* Fund returns are after fees and costs, are before tax, and assume the reinvestment of distributions. Inception date: 8 September 2014.
^ Index returns are those of the MSCI All Country World Net Index in AUD. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for Fund returns; FactSet for Index returns. See note 1, page 11.

**Value of $10,000 Invested Over Five Years**

30 September 2014 to 30 September 2019




After fees and costs, before tax, and assuming reinvestment of distributions. Source: Platinum Investment Management Limited for Fund returns; FactSet for Index returns. Historical performance is not a reliable indicator of future performance. See notes 1 & 2, page 11.

The September quarter contained a lot of 'excitement' for asset markets, with a large fall in US interest rates, further escalation of the US-China trade war by the Trump administration, and some large moves in stock prices, particularly for cyclical stocks.

In terms of performance, the Fund returned 2.7% in the quarter and 2.4% over the year.

Key performance highlights included:

**Micron** – Micron is a major manufacturer of DRAM (type of semiconductor memory widely used in modern computers and smartphones), with the DRAM industry currently going through a down cycle. We believe the attractiveness and through-the-cycle profitability of the industry has improved dramatically over the last decade. Competition has consolidated down to three major suppliers, Moore's Law[1] has slowed and the increased cost and difficulty of bringing on new DRAM production has resulted in much more disciplined behaviour from the producers.

So far, the behaviour from the three major producers (Micron, Samsung and SK Hynix) in the current down cycle supports this thesis, with all three taking moves to reduce future supply, by cutting capital expenditure (capex) and diverting production lines to produce other products. Micron's share price has risen 27% in local currency terms since mid-June, as evidence mounted that the fall in DRAM demand is bottoming.

**Seven Generations** – Seven Generations is a Canadian oil & gas producer with a portfolio of wells that have production efficiencies on par with Tier 1 Assets in the US Permian Basin. The management team, which has focused on growing production for the last five years, is now focusing on generating cash from the existing production base and returning it back to shareholders. In recent months, the stock was trading on a valuation of roughly 5x earnings at a WTI oil price of US$60, which was exceptional value. We added to our position at those valuations, and with the oil price strengthening from its mid-June lows, the stock rose 31% over the quarter.

1 Moore's Law is named after Gordon Moore, co-founder of Intel, who in 1965 predicted that the number of transistors per square inch on a silicon chip would double every year.

As a group, the main detractor from performance was our Chinese stocks, with the prices of a number of our holdings falling 15-20% over the quarter. The main driver of the weakness was not the underlying results of the businesses (which remain solid), but the intensification of the trade war, with the US administration announcing it will apply a 15% tariff to a further US$300 billion of goods from China.

Our holdings in China are almost exclusively domestic-focused businesses, so the relevancy of the tariffs is more about how they may slow the overall Chinese economy and affect confidence, rather than having any direct impact on the individual companies themselves. Given most of our Chinese companies are benefiting from structural growth drivers (i.e. e-commerce, take-up of insurance by the middle class), we believe it's unlikely the tariffs will have a significant influence on their progress.

## Commentary

To provide context for the performance of the stocks in the portfolio over the quarter, it's worth explaining the current sentiment and opportunity landscape in stock markets.

The most prominent feature of the macroeconomic environment today is that the global manufacturing/industrial sector is clearly in recession. Here, the trade war has played a role, as companies have delayed capex decisions and chosen to draw down on inventories, both of which result in lower near-term manufacturing orders and activity.

### Disposition of Assets

| REGION | 30 SEP 2019 | 30 JUN 2019 |
|---|---|---|
| Asia | 30% | 32% |
| North America | 29% | 26% |
| Europe | 16% | 12% |
| Japan | 6% | 5% |
| Cash | 19% | 26% |

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

### Net Sector Exposures

| SECTOR | 30 SEP 2019 | 30 JUN 2019 |
|---|---|---|
| Financials | 15% | 14% |
| Communication Services | 14% | 14% |
| Information Technology | 13% | 12% |
| Industrials | 10% | 9% |
| Materials | 8% | 6% |
| Energy | 7% | 5% |
| Health Care | 5% | 4% |
| Consumer Discretionary | 4% | 4% |
| Real Estate | 2% | 2% |
| Consumer Staples | 2% | 2% |
| Utilities | 1% | 1% |
| TOTAL NET EXPOSURE | 81% | 74% |

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

### Top 10 Holdings

| COMPANY | COUNTRY | INDUSTRY | WEIGHT |
|---|---|---|---|
| Ping An Insurance | China | Financials | 3.7% |
| Samsung Electronics | Korea | Info Technology | 3.7% |
| Alphabet Inc | US | Comm Services | 3.6% |
| Facebook Inc | US | Comm Services | 3.5% |
| Intel Corp | US | Info Technology | 3.3% |
| Raiffeisen Bank | Austria | Financials | 3.1% |
| Glencore plc | Switzerland | Materials | 2.5% |
| Bharti Airtel Ltd | India | Comm Services | 2.4% |
| Seven Generations | Canada | Energy | 2.3% |
| Sanofi SA | France | Health Care | 2.3% |

As at 30 September 2019. See note 6, page 11.
Source: Platinum Investment Management Limited.

### Net Currency Exposures

| CURRENCY | 30 SEP 2019 | 30 JUN 2019 |
|---|---|---|
| US dollar (USD) | 44% | 44% |
| Japanese yen (JPY) | 19% | 17% |
| Hong Kong dollar (HKD) | 14% | 13% |
| Euro (EUR) | 10% | 11% |
| British pound (GBP) | 7% | 7% |
| Korean won (KRW) | 7% | 7% |
| Indian rupee (INR) | 4% | 6% |
| Chinese yuan (CNY) | 4% | 4% |
| Canadian dollar (CAD) | 3% | 2% |
| Norwegian krone (NOK) | 1% | 2% |
| Swiss franc (CHF) | 1% | 1% |
| Thai baht (THB) | 1% | 1% |
| Chinese yuan offshore (CNH) | -15% | -14% |

See note 5, page 11. Numbers have been subject to rounding adjustments.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposure, updated monthly, please visit www.platinum.com.au/our-products/pgf.

The key question is whether this recession in manufacturing could spread to the much larger services and consumption part of the economy, and create a broader recession. While activity has slowed, for now, the weight of evidence shows the service sector is still expanding. The Institute for Supply Management (ISM) non-manufacturing survey in the US and the Euro area services purchasing managers' index (PMI) have held up, and independent indicators such as parcel volumes, residential property prices and retail sales point to a similar situation in China. In this regard, the current situation has similar characteristics to late 2015, where we had an industrial recession in both China and the US, but the consumer and service economy held firm.

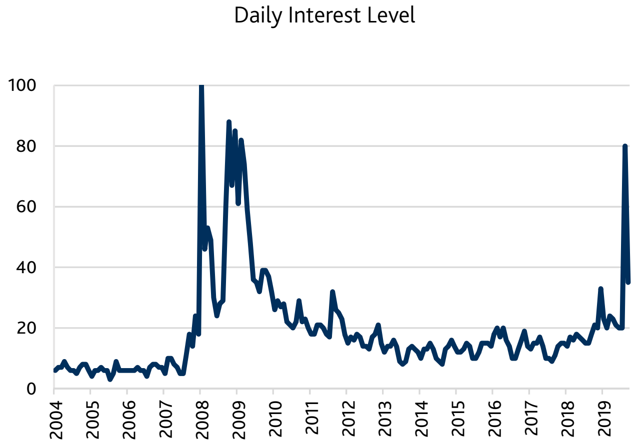
In response to the contraction in the industrial economy, central banks globally have moved to reduce interest rates further. The combination of falling interest rates and weak industrial data drove investor sentiment to extremes, and by August, we had a situation where:

- Investor expectations of an imminent recession had reached fever pitch (see Fig. 1).
- There was universal acceptance that interest rates in the major developed economies would go to zero or negative and remain there 'forever'.
- As investors ran for the exits at any price, many cyclical stocks were pushed down to extremely low prices.

At that time, we chose to buy many of the stocks that were harshly treated.

- In banking, we doubled our position in **Bank of Ireland** and **Raiffeisen Bank**.
- In industrials, we added a new position in Japanese precision components maker **MinebeaMitsumi** and Italian oil refiner **Saras**, and we also added to our holdings in **General Electric**.
- In commodities, we added to our holdings in **Glencore**, copper producer **MMG,** and **Peabody Energy**.

**Fig. 1: Fears of a Recession Reached Fever Pitch in August**




Source: Google Trends. The chart shows the number of times the term 'recession' is searched on Google worldwide. The daily interest level of 100 represents the peak level of interest over the whole period. In August 2019, the interest level soared to 80 from 20 in July, which was the highest level since 2009. The peak level of interest was recorded in 2008, at the onset of the GFC.

It is worth highlighting that our decision to buy these stocks was not driven by any macroeconomic forecast.[2] Instead, it was based on the underlying value on offer in many stocks (with many on single digit starting P/Es), the quality of the individual businesses, and the extreme level of negative investor sentiment.

To fund these purchases we exited our holdings in **ICICI Bank, Owens Corning, Schibsted** and **Adevinta**. All of these stocks have been solid earners for the Fund.

2 Most of these companies serve industrial end markets. What we can say about the macroeconomic climate is that given we are already in the middle of a recession for the industrial economy, it is in our view, fair to say that activity levels are suppressed and can improve with time.

## Outlook

History provides a good reminder that the best-returning areas of the stock market tend to move in cycles, with no industry, geography or investing style dominating returns all of the time. The 1990s was the technology decade, where huge gains were made in the software, internet and telecom sectors. However, the decade from 2000 to 2010 was very different. Over that period, the returns in technology ranged from being a disaster to merely dull; while large gains were made in commodities and real estate - two industries that couldn't have been further from investors' minds during the tech bubble.

Today, with the market's complete embrace of businesses that offer 'perceived safety' or 'high growth', and investors seriously discussing whether 'value investing is dead' one has to wonder if we are at another cycle turning point.

As we detailed in our June report, the valuation divergence within markets has not been this high since the tech bubble. Stocks that have any cyclicality have already been priced at recessionary levels, and taking advantage of this, the Fund continues to be rotated into companies that offer a better risk/reward trade-off.

# Macro Overview

## by Andrew Clifford, Chief Investment Officer

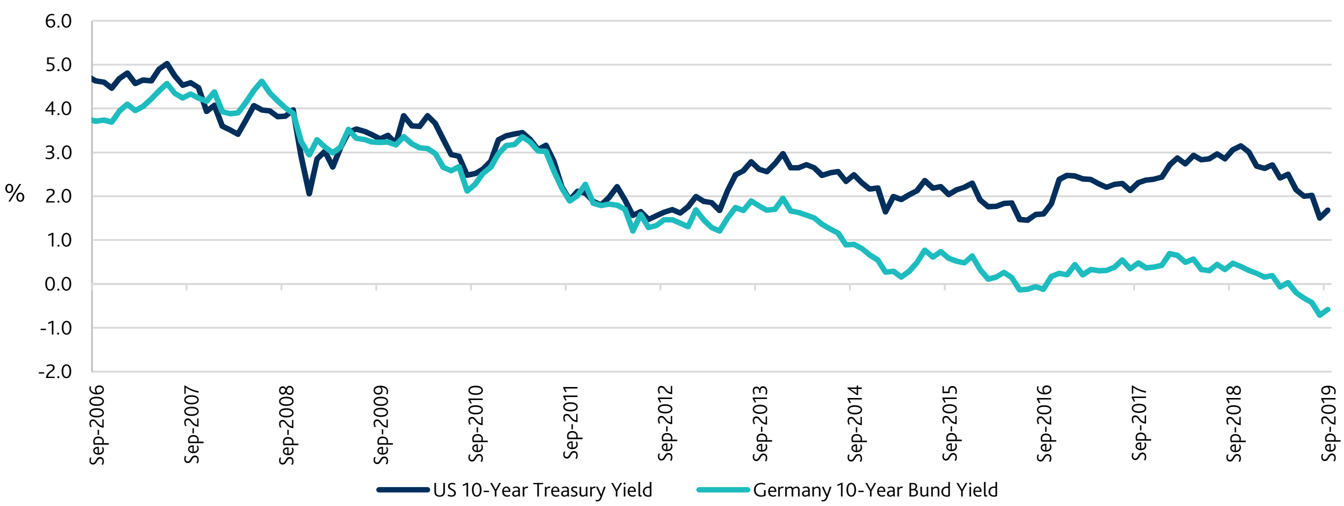
### Markets priced for recession on trade and political uncertainty

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.

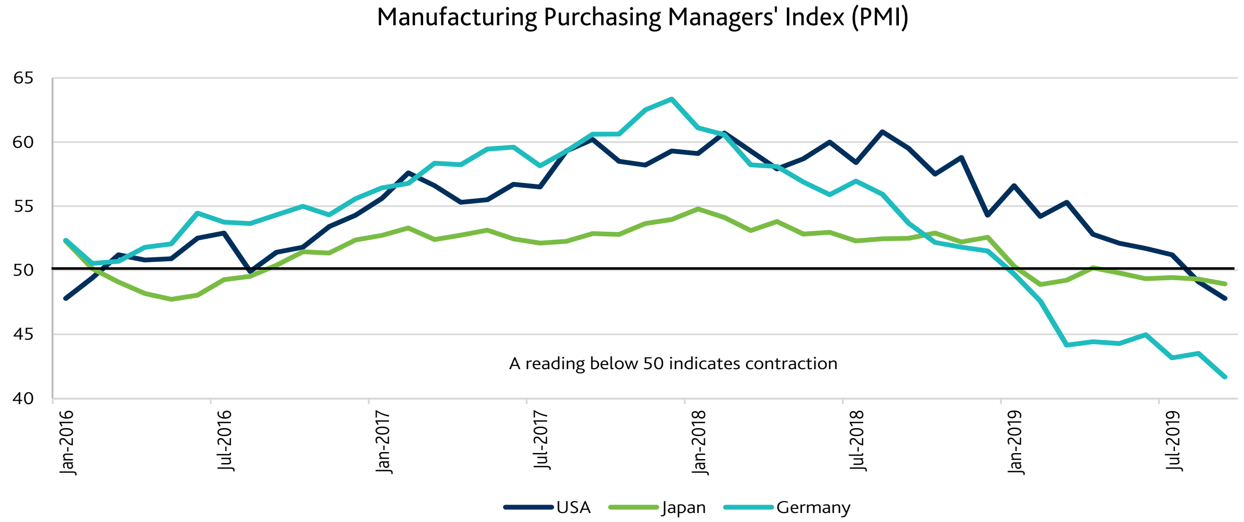
Unquestionably, global manufacturing is already in a recession, and in this regard, cuts in interest rates by central banks and falling bond yields make sense. However, other indicators suggest that the major economies are relatively resilient, at least for the moment. Most notably, employment remains 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.

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.

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 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 have 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 years. Whether this generates a pick-up in activity will

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.

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.

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

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.

# The Journal

Visit [www.platinum.com.au/our-products/PGF](www.platinum.com.au/our-products/PGF) to find a repository of information about Platinum Global Fund (PGF), including:

- Distribution history and statements
- ASX releases and financial statements
- Monthly updates on PGF's investment performance, portfolio positioning and top 10 holdings

You can find a range of thought-provoking articles and videos on our website. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**.

If you find yourself short on time to read our in-depth reports and articles, have a listen to our Quarterly Reports in **audio podcasts** or watch brief market updates in **video** form.

In response to client feedback in our survey earlier this year, 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.
- **Perception vs. Reality Creates Opportunities in Europe**[2]. Despite the negative headlines, there's a lot of reasons to be positive about Europe. Employment and incomes are rising, while trade balances are back in the black. Nik Dvornak, explains how the disconnection between perception and reality is presenting attractive investment opportunities.
- **Innovation and Generational Change Shaping Japan**[3]. 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**[4]. 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**[5]. 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/Video-%E2%80%93-Perception-vs-Reality-Creates-Opportunit
3 https://www.platinum.com.au/Insights-Tools/The-Journal/Innovation-and-Generational-Change-Shaping-Japan
4 https://www.platinum.com.au/Insights-Tools/The-Journal/The-rise-of-the-consumer-and-private-enterprise-in
5 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).

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

   Fund returns have been provided by Platinum. The MSCI All Country World 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, the Fund's inception date (8 September 2014) is used. Platinum does not invest by reference to the weightings of the Index, and Index returns are provided as a reference only. The Fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index.

   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 the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.
2. The investment returns depicted in this graph are cumulative on A$10,000 invested in the Fund over the specified period relative to the MSCI All Country World Net Index in Australian Dollars.
3. The geographic disposition of assets represents, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices. As the Fund does not undertake any short-selling, the Fund's net exposures are the same as its long exposures.
4. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings and long derivatives of stocks and indices. As the Fund does not undertake any short-selling, the Fund's net exposures are the same as its long exposures.
5. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards, and derivatives. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
6. The table shows the Fund's top 10 long equity positions as a percentage of the Fund'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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