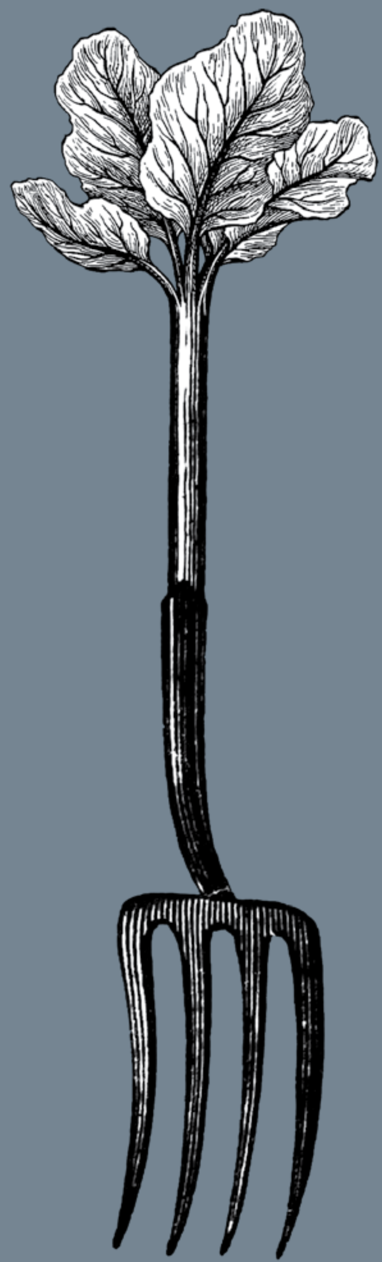
Platinum International Fund
Platinum Global Fund (Long Only)
Platinum Asia Fund
Platinum European Fund
Platinum Japan Fund
Platinum International Brands Fund
Platinum International Health Care Fund
Platinum International Technology Fund

Platinum ASSET MANAGEMENT

Quarterly Report

31 DECEMBER
2022



Contents

The Platinum Trust quarterly report is available on our website from approximately the 15th of the month following quarter end.
Visit www.platinum.com.au/Investing-with-Us/Investment-Updates

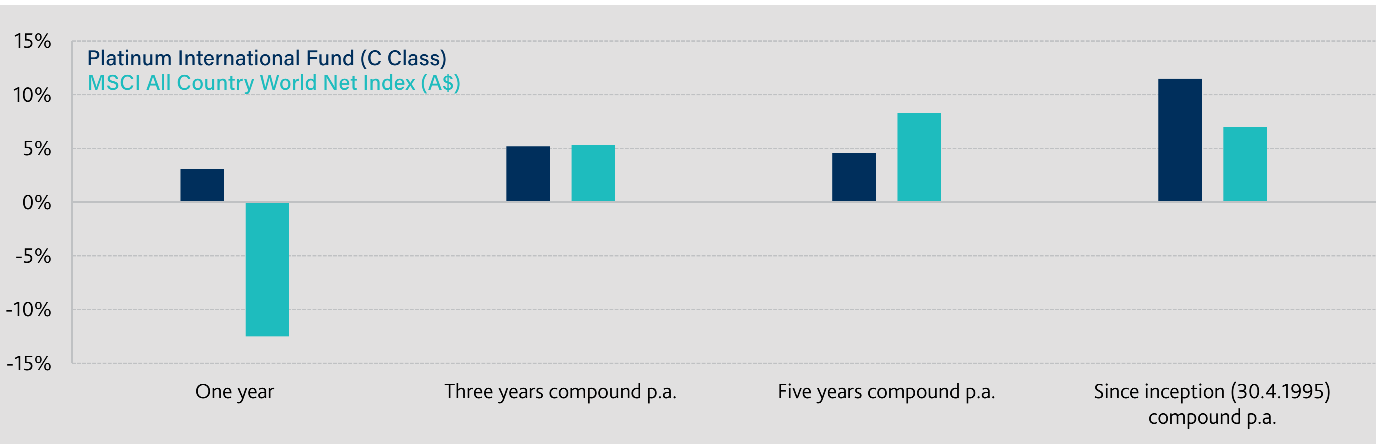
Performance Returns to 31 December 2022

FUND (C CLASS – STANDARD FEE OPTION) (P CLASS – PERFORMANCE FEE OPTION)	PORTFOLIO VALUE A$ MIL	QUARTER	1 YEAR	2 YEARS COMPOUND P.A.	3 YEARS COMPOUND P.A.	5 YEARS COMPOUND P.A.	SINCE INCEPTION COMPOUND P.A.	INCEPTION DATE
Platinum International Fund (C Class)	**6,784.8**	**10.4%**	**3.1%**	**6.5%**	**5.2%**	**4.6%**	**11.5%**	**30 Apr 1995**
Platinum International Fund (P Class)	24.8	10.5%	3.3%	6.8%	5.5%	4.8%	6.6%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.1%	-12.5%	4.9%	5.3%	8.3%	7.0%	30 Apr 1995
Platinum Global Fund (Long Only) (C Class)	**166.6**	**11.0%**	**-8.2%**	**2.7%**	**1.7%**	**3.0%**	**9.6%**	**28 Jan 2005**
Platinum Global Fund (Long Only) (P Class)	6.1	11.1%	-7.9%	2.9%	1.9%	3.3%	5.5%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.1%	-12.5%	4.9%	5.3%	8.3%	7.4%	28 Jan 2005
Platinum Asia Fund (C Class)	**2,629.5**	**8.2%**	**-9.2%**	**-5.9%**	**4.6%**	**3.8%**	**12.7%**	**4 Mar 2003**
Platinum Asia Fund (P Class)	10.1	8.2%	-9.0%	-5.7%	4.4%	3.9%	6.4%	3 Jul 2017
MSCI All Country Asia ex Japan Net Index (A$)		5.6%	-13.9%	-6.7%	-0.3%	2.2%	8.6%	4 Mar 2003
Platinum European Fund (C Class)	**348.2**	**10.7%**	**-7.4%**	**1.8%**	**-0.5%**	**2.1%**	**10.1%**	**30 Jun 1998**
Platinum European Fund (P Class)	3.7	10.8%	-7.2%	2.0%	-0.3%	2.3%	3.9%	3 Jul 2017
MSCI All Country Europe Net Index (A$)		13.4%	-11.0%	4.8%	1.5%	4.3%	3.2%	30 Jun 1998
Platinum Japan Fund (C Class)	**464.6**	**2.8%**	**-6.3%**	**3.1%**	**0.9%**	**1.9%**	**12.5%**	**30 Jun 1998**
Platinum Japan Fund (P Class)	3.2	2.9%	-6.1%	3.3%	1.1%	2.1%	4.6%	3 Jul 2017
MSCI Japan Net Index (A$)		7.4%	-10.6%	-1.8%	0.2%	3.1%	2.9%	30 Jun 1998
Platinum International Brands Fund (C Class)	**471.2**	**10.7%**	**-8.4%**	**0.1%**	**6.1%**	**5.8%**	**11.5%**	**18 May 2000**
Platinum International Brands Fund (P Class)	2.2	10.8%	-8.2%	0.3%	6.3%	6.0%	7.5%	3 Jul 2017
MSCI All Country World Net Index (A$)		4.1%	-12.5%	4.9%	5.3%	8.3%	4.0%	18 May 2000
Platinum International Health Care Fund (C Class)	**445.1**	**3.6%**	**-19.1%**	**-7.6%**	**3.7%**	**8.5%**	**9.1%**	**10 Nov 2003**
Platinum International Health Care Fund (P Class)	10.9	3.6%	-18.9%	-7.6%	2.9%	7.9%	7.6%	3 Jul 2017
MSCI All Country World Health Care Net Index (A$)		7.3%	0.6%	12.0%	9.5%	12.8%	9.6%	10 Nov 2003
Platinum International Technology Fund (C Class)	**120.7**	**5.0%**	**-21.6%**	**-4.8%**	**4.2%**	**6.6%**	**8.9%**	**18 May 2000**
Platinum International Technology Fund (P Class)	3.0	5.1%	-21.4%	-4.6%	4.5%	6.9%	7.8%	3 Jul 2017
MSCI All Country World IT Net Index (A$)		0.3%	-26.1%	-0.1%	9.8%	15.3%	3.3%	18 May 2000

Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for Fund returns and FactSet Research Systems for MSCI index returns.
See note 1, page 44.

Platinum International Fund vs. MSCI All Country World Net Index (A$)

to 31 December 2022



Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited for fund returns and FactSet Research Systems for MSCI index returns. See note 1, page 44.

In Brief

Platinum International Fund

- The US equity market underperformed the rest of the world during the quarter. Europe led the way (+10.6%), followed by Asia ex-Japan (+8.2%) and North America (+6.9%). In line with these outcomes, our European holdings dominated performance, with financial stocks Intesa Sanpaolo, Beazley, Erste and Raiffeisen Bank amongst the best performers. Our Chinese holdings, notably Trip.com, Weichai Power, Ping An Insurance and Tencent also provided strong performance.
- Over the year, the Fund returned 3.1%, a 15.6% outperformance of the market, which fell 12.5%, representing a strong start for the Fund in the current bear market in global equities.
- The Fund's net invested position increased from 55% to 63% over the quarter, predominantly reflecting a reduction in short positions from 24% to 17%. The composition of the short portfolio has changed, with less emphasis on highly valued growth names and a move toward COVID beneficiaries (e.g. retailers, e-commerce) as well as some of the more dubious and overvalued "energy transition" related companies. There were no major new long positions for the Fund over the quarter.
- At a high level, the outlook for the broad market is muted, especially in the US, where there is a relatively higher weighting of growth stocks in the indices, while at a sector or stock-specific level, there remains the possibility of strong returns. The global energy transition is a significant theme for the Fund. We also continue to see opportunities in companies that are yet to fully recover from the pandemic (i.e. travel) and businesses that were harmed by low interest rates (i.e. European banks). Meanwhile, China, which has experienced a completely different economic and interest rate environment from the other major economies, resulting in a prolonged bear market, is positioned for a strong rebound.

Platinum Global Fund (Long Only)

- Our Chinese and European holdings were the main contributors to performance, rallying on better-than-expected outcomes for each region, with Europe showing the ability to reduce gas usage to avert the most dire energy shortage scenarios and China removing its zero-COVID policy shackles, which will drive an economic recovery far quicker than most had expected.
- This more positive outlook drove large moves in our major Chinese holdings, such as Weichai Power, Trip.com, AK Medical and Tencent. In Europe, the standout contributors were Intesa Sanpaolo, Erste Bank, Airbus, Wizz Air and Infineon Technologies. New holdings included TORM and Scorpio Tankers, both of which own a fleet of 'clean product tankers' used to transport products like diesel, jet fuel or chemicals, as "security of supply" and "nearshoring" become a focus.
- The background of a deflating equity bubble, a rapid increase in interest rates, and the normalisation of corporate earnings distorted by stimulus still calls for patience. While we have seen valuation multiples adjust in the face of higher interest rates, the next phase for investors is a focus on falling earnings. At this point in the cycle, our favoured approach is to be nimble with our cash, continue to rotate into sectors that are already pricing in a recession, and focus on building holdings in those industries that will be the sources of incremental investment and growth over the next five years.

Platinum Asia Fund

- Asian markets were volatile over the quarter. India remained resilient, Vietnam weakened and Hong Kong sold off ~15% post the 20th National Congress of the Chinese Communist Party (CCP), but subsequently recovered ~35% from the lows, following revised property and COVID measures.
- Foreign sentiment towards China is recovering, with Hong Kong-listed shares (H-shares) rising more than their mainland China-listed counterparts (A-shares). Improving sentiment benefited holdings such as Trip.com and hotel chain H World Group. Other notable performers in China included Ping An Insurance, Weichai Power and Nine Dragons Paper.
- The risk of a US recession is gaining wider acceptance, with possible contagion to some Asian economies. That said, there are seeds of optimism for Asian markets, particularly as most economies appear more resilient versus prior downturns, given more stable political settings, proactive monetary policy combined with sound structural reforms, and China emerging from COVID. We continue to find attractive investment opportunities, with valuations across many markets remaining reasonable.

Platinum European Fund

- European markets staged a strong recovery over the quarter, with the Financials, Industrials, Consumer Discretionary and Healthcare sectors leading the way. Investors were more positive on Europe as fears of a deep recession driven by an energy crisis subsided.
- The strongest contributors to the Fund's performance were our bank holdings, notably Raiffeisen Bank, Banca Transilvania, Bank of Ireland and Erste. Our travel stocks, Airbus, Booking Holdings, Ryanair and Wizz Air also contributed positively.
- We believe the market is still somewhat complacent about the deteriorating economic situation and the impact of higher rates and higher energy and labour costs on corporate profits. We are positioned defensively to protect our investors' capital, and we continue to hold significant index shorts and a few individual stock short positions. We continue to buy stocks that we feel offer good value, and our pipeline of ideas is growing steadily.

Platinum Japan Fund

- A combination of rising equities and a rebounding yen, following the Bank of Japan's surprise announcement to increase its target band for the 10-year bond rate, helped the Fund deliver solid performance. Strong performers included software testing and assurance services provider SHIFT (a new holding in the Fund), owner of the Bobcat small-earth mover brand Doosan Bobcat, coating-machine maker Hirano Tecseed and seismic consultant Oyo.
- The recent strength of the yen, which makes imported consumer products less expensive, has likely lessened the pressure on the BOJ to take more drastic action. Monetary policy continues to be loose and combined with increased reshoring of manufacturing capacity, points to a relatively healthy outlook for the domestic economy. Exogenous shocks such as a deep recession in the US and Europe remain a risk, but Japan may be cushioned by a recovery in the economy of its large neighbour, as it emerges from its zero-COVID policy and loosens its recent tight monetary and regulatory policy stance.

Platinum International Brands Fund

- Chinese stocks were the Fund's strongest performers during the quarter. Key contributors included high-end funeral and burial services provider Fu Shou Yuan International, casino operator Melco International Development and Trip.com.
- A number of new holdings were added to the Fund, including over-the-counter (OTC) pharmaceutical manufacturer Haleon, sportswear brand Puma, UK discount retailer B&M and dating app leader Match Group.
- We remain very cautious on the financial health of consumers in the US and Europe. Meanwhile, China appears poised for an economic rebound as it emerges from multiple years of tight financial conditions and pandemic-related restrictions. This could unleash a wave of spending that is far from being priced-in to Chinese consumer stocks.

Platinum International Health Care Fund

- There were a number of strong performers for the Fund over the quarter. Immunovant rallied as investors started realising the potential of its anti-FcRn assets for the treatment of auto-immune diseases. Prometheus Biosciences rose on solid phase 2 data for its anti-TL1A antibody for inflammatory bowel diseases. Icosavax gained after announcing its virus-like particle vaccine against the RSV virus exhibits solid durability in a phase 1/1b trial. We added BioNTech and Moderna back to the portfolio as we are seeing progress in cancer vaccines as well as a very disciplined approach to their cash piles.
- The coming year is very important for healthcare, given that we could see the approval of further gene therapy products to treat haemophilia A and Duchenne muscular dystrophy, as well as the launch of an antibody medication that slows the cognitive decline in Alzheimer's disease. Expectations are for a more volatile first half of the year, while the latter part of the year should see further consolidation of this industry.

Platinum International Technology Fund

- Technology stocks were largely flat over the quarter, with investors re-assessing valuations and revising down growth prospects in light of the austere monetary policies. Our Chinese internet names (Alibaba, Tencent, JD.com) were among the Fund's top performers, reversing the previous quarter's decline. Other contributors included Infineon Technologies, the market leader in power semiconductors, and telecom equipment manufacturer Ciena.
- We believe that the Fund, through the careful selection of long and short positions, remains positioned to benefit from the ongoing shift away from expensively valued unprofitable technology stocks while holding core positions in semiconductors, e-commerce, digital advertising, fintech and enterprise software names at very attractive valuations.

Macro Overview:
2023 - A Great Environment for 'True' Investors

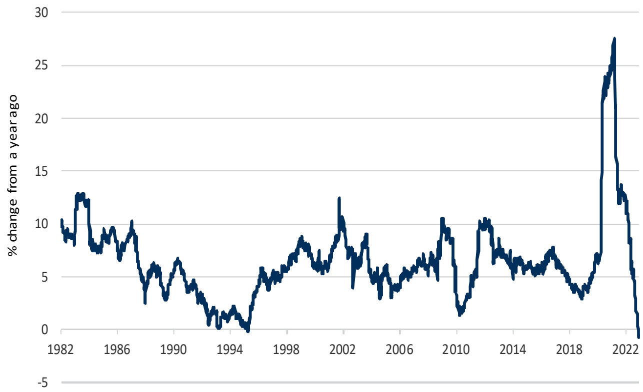
by Andrew Clifford, Co-Chief Investment Officer

2022 was a dramatic year for markets. CEO and Co-CIO Andrew Clifford sat down with Investment Analyst Julian McCormack in December to share his thoughts on events, covering interest rates, recession fears, China and Europe - and what they all mean for the markets in 2023 and Platinum's portfolios. An edited transcript of the conversation is below.*

JM: Andrew, markets seem to be pricing in a mild recession. What is your broad overview of interest rates, inflation, recession fears, etc.?

AC: I think we need to get ahead of the game here. It is relatively clear that inflation has probably peaked. You can spend all your life trying to work out how quickly it recedes and when rate cuts will come. Ahead of that, though, I think monetary conditions are a much better indicator to focus on, specifically, in its most simple form, the growth rate of M2, a broad measure of the money supply. In 2022, in the US, the epicentre of the great money printing exercise we've just lived through, M2 is shrinking, and importantly, it's occurring in a nominal economy that is actually growing at a reasonable pace at this point. Essentially, that means monetary conditions are very tight, and you have to get well beyond the rate cuts before that's going to turn around. So, that tells you that inflation is probably going to come down over the next year or so. But for us as investors, that's not the interesting point; it's what it means for markets and asset prices. As I've said on many occasions in our reports and presentations, I think the shrinking of the money supply is a very significant headwind for markets, pushing them to the downside.

Fig. 1: US Money Supply M2 is Shrinking
% change on a year ago, weekly



Source: Federal Reserve Bank of St. Louis, 5 December 2022. M2 includes M1 (cash and cash-like, or currency and coins held by the non-bank public, checkable deposits, and travellers' checks [sic]) + savings deposits (including money market deposit accounts), small-time deposits under $100,000, and shares in retail money market mutual funds.

* The full interview is available in audio format on The Journal page of our website https://www.platinum.com.au/Insights-Tools/The-Journal. Interview was recorded on 20 December 2022.

JM: It's been an interesting reversal of either complacency or comfort in recent weeks. Everyone was expecting some sort of rally, which came and then just wilted away towards the end of the month, at the time of recording (20 December).

AC: Everyone has been expecting inflation to ease off. It looks like that's happening, and everyone appears to be positioned for that. However, the US Federal Reserve (Fed) is telling us it's going to be a while before rates peak, and we start to get those rate cuts. Again, we can spend all our lives trying to predict what will happen, but I think the more important thing is the impact that this will have on company earnings. That's the next focus, and there's a mixed bag there. We're seeing plenty of companies release disappointing numbers, and there have been decent falls in stock prices on the back of that. But at the same time, if you look at the absolute numbers for many companies, they're not all bad, but our job as investors is to think about how things will look 3-5 years ahead. Indeed, combined with coming out of COVID, the COVID beneficiaries, and those who were hurt by COVID, there are some mixed messages. Some companies are going to experience poor earnings just because they've been through an extraordinary boom and their business is coming back to trend, or will probably go below trend, while others that suffered from supply chain problems may yet have many good years ahead of them.

JM: There have been lots of idiosyncratic events, not least the implosion of speculative parts of the equity market, crypto exchanges, ructions in the UK gilt market, and suspensions in redemptions in captive real estate investment trusts. Do you have any comments about these?

AC: We would expect that after the boom we've been through and the speculative mania that we experienced, there will be some sort of crisis point coming out of this. The blow-up of the crypto market and the exchanges has no doubt caused a lot of pain for people, but it doesn't seem to have had any real flow-on effect on broader markets or the economy for the moment. Similarly, the deflating stock prices of the more speculative stock names have not had any particularly bad impact on the broader economy or market. The UK gilts and the issues that the pension funds had there were the beginning of a concerning event. The fiscally lax mini-budget announced by the UK government in late September, sent bond yields skyrocketing, and forced pension funds, which had taken leveraged positions in gilts and other fixed-interest products, to liquidate their positions. The Bank of England's intervention in the bond market seemed to have averted a great crisis there. But then, recently, we've had a couple of large, high-profile real estate investment trusts suspend redemptions. It's interesting, of course, as I've said over the last 2-3 years, I do suspect the problems are hidden in the unlisted part of the markets. The promoters of those trusts will tell you that it's all part of normal operations; if redemptions are greater than a certain percentage, they will suspend redemptions. But still, these things tend to become self-perpetuating, where everyone starts lining up for their redemption every month, and on top of that, it's in this unlisted part of the market, where there is an awful lot of debt. It's those sorts of things that could have a bigger or broader impact going forward. And I think there are plenty of places in the unlisted world where that may occur.

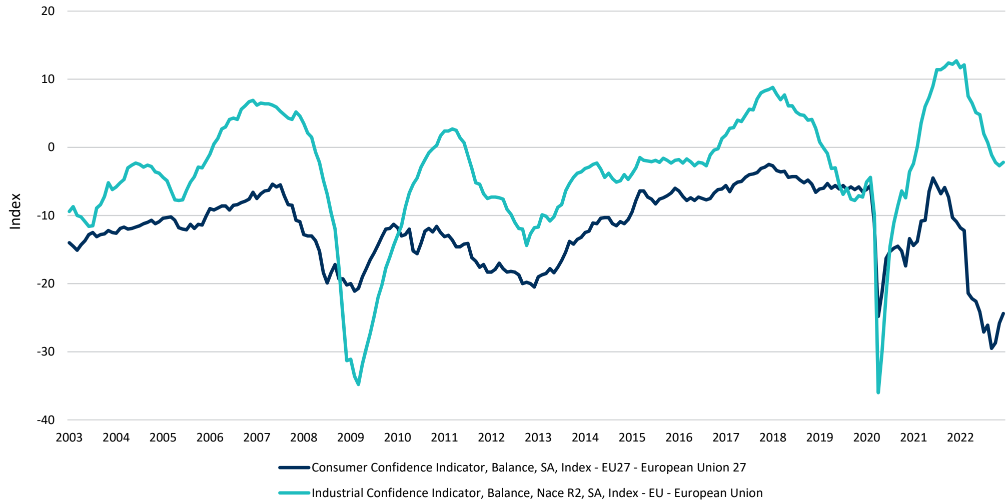
JM: As that liquidity has been drained, we are seeing the US dollar, which has strengthened all year, weaken in recent weeks and months. What are your thoughts on the US dollar?

AC: I think it was a case of US dollar strength rather than yen or euro weakness, or any of the other currencies. We saw the yen briefly touch 150 in October, this is an extraordinarily low level for that currency. The euro was also hit hard, although it's a more difficult story because of the energy security issue and changing competitiveness. Across the board, other currencies are looking extraordinarily cheap. The US has been increasing rates faster than anywhere else. Rate differentials are often a driver of currency markets, but I do think we are probably approaching the peak in the momentum of that rate differential opening up. The US dollar has already reversed a fairly decent amount of the rally that it had. You can never get the timing of these things right, but over the next 18 months to three years, I expect the US dollar will weaken.

JM: You mentioned the euro, it's a difficult place to think about given it was all cataclysmic six months ago and has dropped off the headlines now. So, how are you thinking about Europe and its mixed bag of potential outcomes?

AC: At the centre of the problem for Europe is obviously energy. Very little investment in new capacity, whether that's oil, gas or thermal coal, has taken place in recent years. In addition, the energy transition is beginning and people are reluctant to invest in these areas. In the meantime, though, we are still going to need to consume these fossil fuels, so there is this awkward period over the next few years where the supply of energy is likely to be tight. Then, of course, on top of that, and in particular for Europe, we have Russia's invasion of Ukraine, which impacts basically all of those key energy markets. The really important market for Europe is gas, particularly its transportation, which is reliant on Russian pipelines. This fundamentally impacts the competitiveness of Europe, and we've seen industries close down in chemicals, fertilisers, and so on; areas that are heavy users of energy have had to close capacity because they're not competitive. That's a

Fig. 2: Consumer and Business Confidence is Incredibly Weak in Europe



Source: FactSet Research Systems.

fundamental change, and we've seen natural gas consumption down 20% in the period August-November versus the same three-month period in 2017-2021, across most of Europe as a result of that.[1] In the very short term, as Europe has scrambled to sort out its energy supplies, it looks like they will get through the winter in fairly good shape without any severe squeeze on supply, with storage levels still good. However, the longer-term issue will be, as the years go by, how quickly they're able to replace that Russian gas. This is the core problem for Europe. Consumer and business confidence is incredibly low (see Fig. 2), with the former even below levels reached during the global financial crisis (GFC), so it's a very difficult environment there.[2] There are a couple of positives, though. The fall in the euro takes away some of that pain. The weaker euro will help industries where energy may not be as important and where Europe is still a big exporter. The other factor that will help on that front is we are at the foothills of the recovery of the Chinese economy. China is an important trading partner for Europe (China was the European Union's third-largest export market in 2021 in US dollars, representing 11% of its exports),[3] so it's another positive that may help to offset the energy supply conundrum.

JM: You've been building pretty reasonable positions in some energy companies, what are your thoughts on the outlook for energy for 2023 and beyond?

AC: I think there is a really good long-term story for most of the energy markets. However, I think one needs to be a little cautious about getting too enthusiastic at this point; the medium-term story is great, but the short-term one is unknowable. I mean, some things could happen; I'm not predicting them, but if, for example, we were to see the end of the conflict in Ukraine, that could ease market tightness somewhat. The other issue to think about, and we're seeing it in a whole range of industries, is government interference in markets. We have seen price caps on gas in Australia. We've also seen taxes proposed in places like the UK. So, when you're looking at energy supplies, there's a real possibility you're not going to get the entire upside of any shortages that develop, whether it's prices being capped or profits being taxed. While we certainly have some energy positions in our global equity portfolio, they're relatively modest compared to the story that's out there.

JM: Moving on to China, six months ago, it was at the centre of yet another crisis, which all seemed to have abated by the end of the year. Where are we in terms of the Chinese economy, especially in light of its reopening post-COVID?

AC: Let's take a step back for a moment and think about the last 20-odd years of the commentary around China. There's always been this element that this thing is not real, it's a house of cards, it's a Ponzi scheme, and it's all going to fall apart any moment now. Whenever there is a crisis or an issue in the economy, that's the lens through which many people see it. The problem with that kind of analysis is that it can lead one astray. Just look at the most recent example, President Xi Jinping was heavily criticised in the Western media for the COVID lockdowns. Now that they've been relaxed, he's being heavily criticised for having taken a gamble on the lives of his people. On COVID, we've said all along that China will get through it, as every other country has, and with the tragedy that it involves. But the issue coming back to China more broadly is that the framework I would use is that this is a very large, dynamic and

1 https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20221220-3

2 Source: FactSet Research Systems.

3 https://tradingeconomics.com/european-union/exports-by-country

sophisticated market economy. People worry about the politics there, and there are plenty of reasons to worry about that, but at the end of the day, the political leadership doesn't run the place; the bureaucrats do, as they do in Australia or the US, and this is a very sophisticated bureaucracy. Poor policy decisions led to the situation they have with COVID today, and the same can be said of the property market, which led to a freezing up of the residential property development sector. Where are they now? Well, they will work their way through COVID, and they have come up with an obvious solution to the property market problem, which is to provide liquidity to ensure property developments are completed and apartments are delivered to the buyers. I suspect that once they work their way through that, the next thing they're going to find out is that because of two years of suppressed property sales, they will quite possibly have a shortage of residential apartments by the end of 2023 or going into 2024.

JM: Any final comments on your outlook for 2023?

AC: In summary, I expect 2023 will be the flip side of what we've had for the last couple of years. I think we will have a Chinese economy that will strongly recover, a US economy that's fading, and a European economy that will be difficult to call. We're going to continue to have these uncertainties around, but as has been the case in the last year or two, there will continue to be opportunities in markets to make money. There are plenty of sectors that have sold off very heavily and are trading at valuation levels that we rarely see. Countries like China are still trading at very attractive valuations, despite the recent market bounce. While I think the overall environment doesn't look great for markets, our focus remains on looking for individual opportunities. The more uncertainty there is, and when that uncertainty changes from one quarter to the next, the more opportunities there are to make money from markets. So, I think it's actually a great environment for 'true' investors.

MSCI Regional Index
Net Returns to 31.12.2022 (USD)

REGION	QUARTER	1 YEAR
All Country World	**9.8%**	**-18.4%**
Developed Markets	**9.8%**	**-18.1%**
Emerging Markets	**9.7%**	**-20.1%**
United States	**7.0%**	**-19.8%**
Europe	**19.6%**	**-17.0%**
Germany	24.6%	-22.3%
France	22.2%	-13.3%
United Kingdom	17.0%	-4.8%
Italy	26.4%	-14.4%
Spain	22.9%	-7.3%
Japan	**13.2%**	**-16.6%**
Asia ex-Japan	**11.4%**	**-19.7%**
China	13.5%	-21.9%
Hong Kong	18.2%	-4.7%
Korea	18.1%	-29.4%
India	2.0%	-8.0%
Australia	15.7%	-5.3%
Brazil	2.4%	14.2%

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 31.12.2022 (USD)

SECTOR	QUARTER	1 YEAR
Energy	17.8%	33.1%
Industrials	17.5%	-13.1%
Materials	16.2%	-11.6%
Financials	14.3%	-9.8%
Health Care	13.1%	-6.1%
Consumer Staples	11.2%	-6.6%
Utilities	10.3%	-4.7%
Real Estate	5.9%	-24.6%
Information Technology	5.8%	-31.1%
Communication Services	2.4%	-35.5%
Consumer Discretionary	-0.7%	-31.8%

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 Chinese Property Market: The Most Important Industry Globally Which Few Understand

by Julian McCormack, Investment Analyst

A property implosion was 2022's China crisis narrative. We have owned Chinese property companies, namely China Resources Land and China Overseas Land & Investment over the past year, which have performed well. The Chinese property sector provides an apt case study of the reverse of an asset price bubble.* Indeed, it looks to us like a good example of an "anti-bubble".

In his excellent book ***Principles for Navigating Big Debt Crises***, Ray Dalio gives a simple framework for spotting bubbles:

- Prices are high relative to traditional measures;
- Prices are discounting future rapid price appreciation from these high levels;
- There is broad bullish sentiment;
- Purchases are being financed by high leverage;
- Buyers have made exceptionally extended forward purchases (e.g. built inventory, contracted for supplies etc.) to speculate or to protect themselves against future price gains;
- New buyers (i.e. those who weren't previously in the market) have entered the market; and
- Stimulative monetary policy threatens to inflate the bubble even more (and tight policy will cause it to pop).

Few of these have been present in China for over a decade, in our view: yes, there is leverage in the system, but sentiment is terrible, asset prices are generally moderate-to-low and officials have been seeking to curtail activity, not stimulate it. Put another way, China looks very much like a place that has had a financial crisis in a long, drawn-out fashion since the heady days of high equity prices and exuberance of the late 2000s.[1]

It seems to us reminiscent of Japan in the early 2000s – deep into a multi-decadal bear market and regarded as hopeless by most. The Nikkei 225 went on to triple over the next two decades.[2] ***But what if there is no catalyst?*** Japanese equities have provided us with decent returns (six-fold returns in 20 years in our Japan Fund[3]), with Japanese equities ***de-rating*** the entire time – earnings and dividends drove all of the returns, even as Japanese equities' multiples declined. This is the nature of anti-bubbles.

We think we see something similar in Chinese residential property. Markets work in cycles, and this may well be what the bottom of a market cycle looks like.

Central to all clichés is a kernel of truth. Property prices in China have fallen, as has new build activity, and consumer confidence is low. Note how these conditions are the reverse of Dalio's bubble checklist above. Commentators "know" that the industry is "a Ponzi scheme" in the grip of "a slow-motion crisis".[4]

And yet we have owned property developers in China and made money. Perhaps we are reckless, taking huge "risks" by owning such companies? Or perhaps, when everyone "knows" how terrible the outlook for an industry is and the facts belie this "knowledge", one has found an anti-bubble, and can commit capital with low risk, despite the discomfort of swimming against the tide?

1 See https://www.linkedin.com/posts/andrew-clifford_yet-another-china-crisis-activity-6862185497717039104---5g?utm_source=share&utm_medium=member_desktop

2 Source: FactSet Research Systems.

3 Source: https://www.platinum.com.au/Investing-with-Us/Prices-Performance. Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. See note 1, page 44.

4 https://www.ft.com/content/e9e8c879-5536-4fbc-8ec2-f2a274b823b4; https://www.theguardian.com/business/2022/sep/25/china-property-bubble-evergrande-group

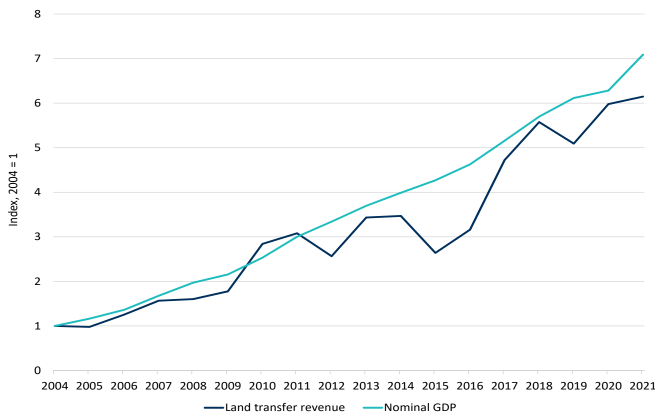
* We have discussed this separately – see https://www.platinum.com.au/ Insights-Tools/The-Journal/The-Paradox-of-Cycles

In the case of the Chinese property market, the facts do indeed belie the prophesies of doom.

Contrary to most commentary, Chinese property prices have risen in an unremarkable fashion, both relative to other countries and relative to incomes or nominal gross domestic product (GDP). For instance, real house prices in China appreciated at a slower rate than those in Germany in the decade to the end of 2020.[5] Government revenue from land transfers, which is at the core of the Chinese residential property industry, has grown more slowly than nominal GDP over the last 17 years.

5 https://www.economist.com/graphic-detail/global-house-prices.

Fig. 1: Chinese land transfer revenue versus nominal GDP, indexed



Source: citi.

Further, Chinese house prices, as collected by the equity research team at citi, have appreciated by far less than nominal GDP growth since 2005.

Fig. 2: Chinese house price growth versus nominal GDP, change year on year

	1998	1999	2000	2001	2002
Change in avg residential property price	0.9%	-0.1%	8.1%	6.0%	3.0%
Change in nominal GDP	7.3%	6.0%	9.8%	8.6%	10.3%

	2003	2004	2005	2006	2007
Change in avg residential property price	3.9%	15.2%	18.1%	4.1%	17.0%
Change in nominal GDP	13.7%	17.5%	15.6%	17.8%	23.7%

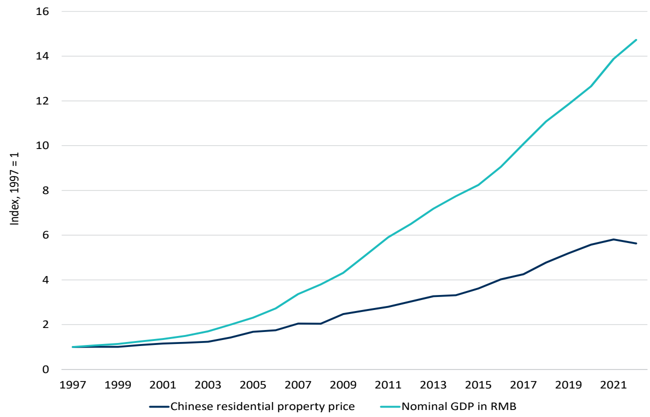
	2008	2009	2010	2011	2012
Change in avg residential property price	-0.3%	21.1%	6.7%	6.1%	8.4%
Change in nominal GDP	12.7%	13.7%	18.3%	15.7%	10.0%

	2013	2014	2015	2016	2017
Change in avg residential property price	7.7%	1.4%	9.1%	11.3%	5.7%
Change in nominal GDP	10.5%	7.8%	6.5%	9.9%	11.3%

	2018	2019	2020	2021	22 YTD
Change in avg residential property price	12.2%	8.7%	7.5%	4.2%	-3.1%
Change in nominal GDP	9.9%	7.0%	6.8%	9.7%	6.1%

Source: citi, FactSet Research Systems.

Fig. 3: Chinese house price growth versus nominal GDP, indexed



Source: citi, FactSet Research Systems.

Simply put, Chinese property prices have increased a great deal in the last few decades, but why wouldn't they in a fast-growing economy with rapid household income growth and a colossal urbanisation drive?

Further, Chinese mortgage rates have remained high by global standards, never falling below 4.7% and remaining well above 5% since 2018 for borrowers with one property, with considerably higher rates applying for purchasers of a second property.[6] Chinese borrowers require large down-payments for houses, with first-home buyers requiring 30% down-payments and second- and third-home buyers needing more equity still.[7]

There is no evidence of any meaningful glut of properties in China.

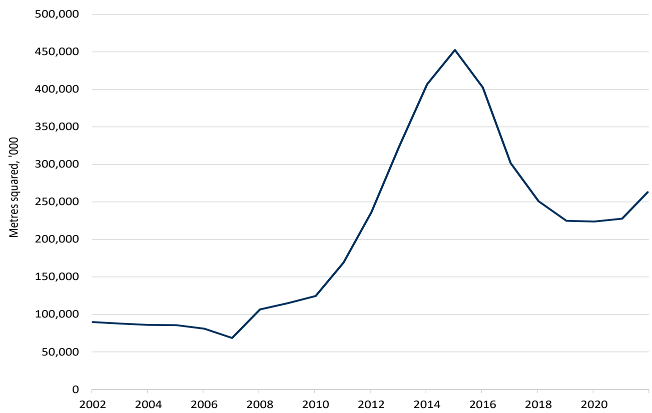
Has there been malinvestment? Yes.

Is there evidence of a nationwide excess of housing units? No.

6 CLSA.

7 CLSA.

Fig. 4: Vacant residential floor space waiting for sale



Source: citi. Note 2022 data is to November.

But what of the tens of millions of empty apartments so frequently reported on by the Western media regarding China? Well, there are likely many millions of homes built in poorly conceived projects by property developers across China – this should be no surprise. Property developers build unsuccessful projects in every jurisdiction. There are around 400 to 500 million households in China in our estimation, so when we see breathless reporting of "50 million empty homes in China",[8] that would be roughly in line with the 10% unoccupied homes in Australia,[9] for instance.

Prior to 1994, there was in effect, no private ownership of housing in China, and while housing was provided universally, residential area per capita in urban areas was a tiny 6.7 square metres (sqm) on average, generally with shared bathroom and kitchen facilities.[10] Since that time, China has completed just over 17 billion square metres of housing,[11] in the largest urbanisation in human history.

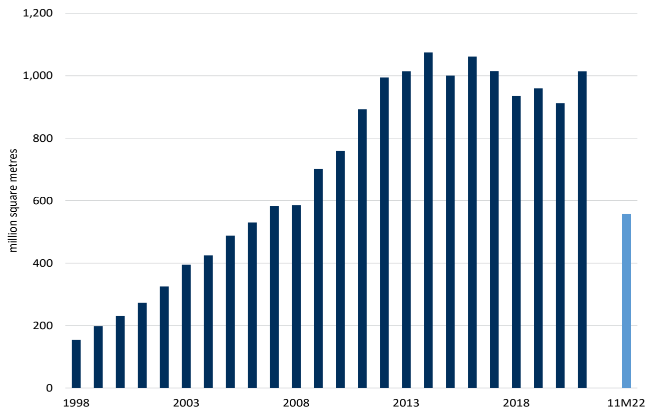
Let's break down that number.

- There are 1.4 billion people in China[12]
- The urbanisation rate is 62.5%[13]
- The average Chinese household homes 2.6 people[14]
- Residential housing per capita in urban China is 39 sqm per person.[15]

Multiplying this out gives us an average house size of approximately 100 sqm in urban China, and implies that of the 875 million people living in Chinese cities, only 438 million are living in a modern (post-1994) dwelling.

Put another way, if China is to house all of its current urban population in modern housing stock, it needs to double its entire modern housing build out, ignoring any replacement of existing housing.

Fig. 5: Chinese residential construction completions in metres squared

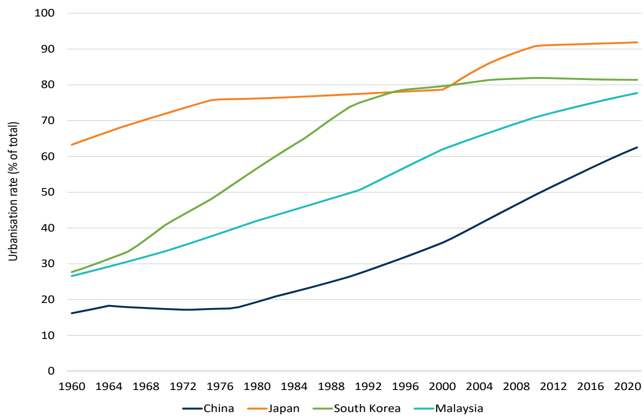


Source: citi.

Further, China's urbanisation rate of 62.5% is low compared to other Asian countries (see Fig. 6). If we assume that China reaches an urbanisation rate of 80%, in line with other developed and middle-income Asian nations, approximately 200 million people will enter Chinese cities in the coming two decades or so, even assuming a gradually declining population.

All told, China may require a further 25 years of current rates of residential construction to house its urban population in modern housing.

Fig. 6: Urbanisation rates, China versus select Asian high- and middle-income nations



Source: World Bank, https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=CN

8 https://www.smh.com.au/business/the-economy/ghost-cities-50-million-homes-in-china-are-empty-20181110-p50f70.html

9 https://www.abc.net.au/news/2022-09-02/housing-property-australias-one-million-empty-homes/101396656#:~:text=The%20recent%20release%20of%202021,surely%20make%20a%20big%20difference.

10 China People's Daily: http://en.people.cn/n3/2018/1213/c90000-9528155.html; Fang et al, "*Demystifying the Chinese Housing Boom*", NBER Macroeconomics Journal, vol 30, 2015, https://www.journals.uchicago.edu/doi/full/10.1086/685953

11 Source: citi, data to November 2022.

12 https://data.worldbank.org/indicator/SP.POP.TOTL?locations=CN

13 https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS

14 https://www.chinadaily.com.cn/a/202106/12/WS60c3fae2a31024ad0bac66f9_2.html

15 https://www.chinadaily.com.cn/a/202106/12/WS60c3fae2a31024ad0bac66f9_2.html

Since a series of reforms in the 1990s, culminating in the cessation of public renting of housing for workers in 1998, China has transformed from a country of workers who rented an abode from the government – this being a nominally Communist country after all – into a nation of home owners. At 90%, China has among the highest rates of home ownership in the world.[16] Therefore, the entire modern housing stock of China has been grafted onto a previously existing housing stock of low-quality shared accommodation. One of the most important issues in China is that the majority of the population still live in poor-quality, pre-1990s era housing – with massive ongoing construction required.

China needs ongoing reforms to allow for dignified rental conditions for workers in cities, not least for migrant workers (those without *hukou*).[17] Further, China likely needed to slow the rate of home construction from the one billion square metres it was building in recent years (see completions data in Fig. 5) and has been at pains to curb property speculation for years.[18]

An element of the Chinese residential property reform program has been the direct control of new residential property prices, which we see as both heavy-handed and counterproductive.[19] However, the "three red lines" policy designed to curb excessive financial leverage among developers[20] is sensible, albeit difficult to achieve without causing severe disruption to the broader industry, as has occurred. Of the thousands of property developers in China, only a handful meet the "three red lines" rules against excessive gearing.[21] The Chinese Communist Party has clearly stated that it will support conservatively financed, larger property developers even as it strangles smaller, highly indebted operators.[22] We think this is reminiscent of the reforms of the insurance industry and the broad drive against overcapacity in heavy industries like steel, coal and aluminium: larger, better-run operators tend to be advantaged over smaller players as the state cleans up excess capacity and irresponsible practices in previously fast-growing industries.

So, when we observe a better-quality Chinese property developer like China Resources Land trading at mid-single-digit PEs, paying a 5% dividend yield, with a strong balance sheet, amid a regulatory push to eliminate its smaller, more indebted competitors, we see opportunity. This is the reverse of a bubble. This is an anti-bubble, where the crowd perceives "un-investability" despite a long track record of success, data to suggest that property development will be required in China for decades to come, and a commitment by the CCP to employing existing property developers to meet that need. None of this is without risk; anyone who believes there is no risk in owning an equity is sadly mistaken. But investment is about balancing risks. Large, lowly indebted Chinese property developers appear to offer an exceptional opportunity, in our view.

16 Huang et al, "Home ownership and the housing divide in China", https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7546956/

17 https://www.economist.com/china/2022/09/22/reforms-to-chinas-hukou-system-will-not-help-migrants-much

18 https://www.scmp.com/comment/insight-opinion/article/2119306/xi-jinping-says-houses-are-living-not-speculation-hong-kong

19 See https://www.ft.com/content/5b28ab3c-a896-4c90-b41b-bca9111123dc

20 https://www.ft.com/content/d5803d64-5cc5-46f0-bed0-1bc207440f9c

21 See previous footnote.

22 https://www.ft.com/content/6e9085ec-0d59-43f7-ac00-ccfedbe96ed6

Platinum International Fund

Andrew Clifford
Portfolio Manager

Clay Smolinski
Portfolio Manager

Nik Dvornak
Portfolio Manager

Performance

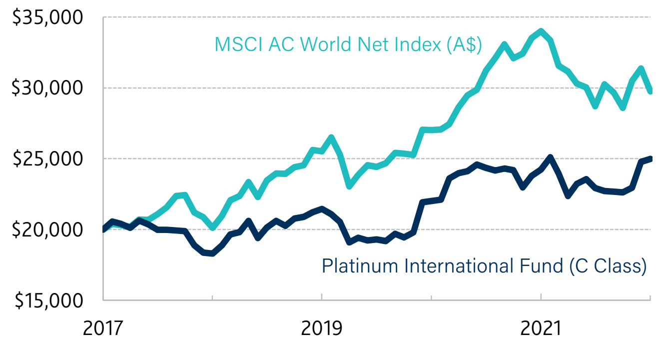
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	10%	3%	5%	5%	12%
MSCI AC World Index^	4%	-12%	5%	8%	7%

+ Excluding quarterly returns.
* C Class – standard fee option. Inception date: 30 April 1995.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 2022



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 44.

The Fund (C Class) returned 10.4% over the quarter.[1]

The US equity market underperformed the rest of the world during the quarter, as markets started factoring in the impact of tighter fiscal and monetary policies on future company earnings. By region, in local currency terms, Europe led the way, returning 10.6%, followed by Asia ex-Japan (+8.2%) and North America (+6.9%).[2]

In line with these outcomes, our European holdings dominated the largest contributors to performance, with financial stocks **Intesa Sanpaolo** (+22%), **Beazley** (+21%), **Erste** (+32%) and **Raiffeisen Bank International** (+26%) amongst the best performers. In China, online travel agent **Trip.com** (+26%) was a strong performer on the back of China's pivot away from its zero-COVID policy. Heavy-duty truck engine manufacturer **Weichai Power** (+41%), insurer **Ping An Insurance** (+32%) and **Tencent** (+25%) also provided strong performance. Short positions contributed 0.9% to returns.

Key detractors at an individual stock level included **Allfunds Group** (-14%), which was impacted by volatile markets and the sell-down of significant stakes by two large shareholders, and precision components manufacturer **MinebeaMitsumi** (-8%), which weakened on a stronger Japanese yen.

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

2 MSCI AC Europe, MSCI Asia ex-Japan, MSCI North America, respectively, in local currency. Source: MSCI.

Over the year, the Fund returned 3.1%, a 15.6% outperformance of the market, which fell 12.5%. It is our view that to produce good absolute returns from investing in equities, it is critical to minimise the impact of large bear markets that come along periodically. Not only will long-term compound returns be improved by avoiding a good portion of the downside during these periods, but it also minimises the pressure on investors during these difficult times, when many succumb to the temptation to sell and lock in losses just as markets are finding their lows. **This past year represents a strong start to the Fund's performance in the current bear market in global equities.**

Changes to the Portfolio

The net invested position increased from 55% to 63% over the course of the quarter. This was predominantly the result of closures of short positions, which were reduced from 24% to 17%. The composition of the short portfolio changed, with less emphasis on highly valued growth names and a move toward COVID beneficiaries (e.g. retailers, e-commerce) that we expect will have weak earnings outcomes in the year ahead, as well as some of the more dubious and overvalued "energy transition" related companies.

There were no major new long positions for the Fund. We took advantage of share price weakness in existing positions to add to our holdings in **Allfunds**, **Micron Technology** and **ZTO Express**. We also trimmed a number of positions in strong performers such as **Trip.com** and **Microchip Technology**.

Commentary

In many respects, the economic environment is becoming clearer as we enter 2023, though not in all cases is it necessarily for the better.

The US economy is clearly slowing in response to falling government spending and rising interest rates. This is now becoming apparent in employment markets, which until recently, had remained resilient, as surveys show businesses are finding it easier to hire, and the number of layoff announcements has increased sharply (see Fig. 1 on the following page).

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
Asia	27%	25%	28%
Europe	26%	25%	21%
North America	16%	18%	21%
Japan	8%	8%	14%
Other	2%	2%	2%
Australia	2%	2%	4%
Cash	20%	21%	10%
Shorts	-17%	-24%	-23%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Industrials	16%	16%	20%
Financials	14%	13%	15%
Materials	9%	11%	14%
Consumer Discretionary	8%	7%	10%
Energy	6%	6%	1%
Health Care	4%	3%	5%
Information Technology	4%	3%	12%
Real Estate	3%	3%	3%
Communication Services	3%	2%	5%
Consumer Staples	0%	0%	1%
Other	-4%	-9%	-18%
TOTAL NET EXPOSURE	63%	55%	67%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
ZTO Express Cayman Inc	China	Industrials	3.9%
UPM-Kymmene OYJ	Finland	Materials	3.0%
Ping An Insurance Group	China	Financials	2.9%
Microchip Technology Inc	US	Info Technology	2.7%
MinebeaMitsumi Co Ltd	Japan	Industrials	2.4%
Tencent Holdings Ltd	China	Comm Services	2.4%
Intesa Sanpaolo SpA	Italy	Financials	2.3%
InterGlobe Aviation Ltd	India	Industrials	2.2%
Shell PLC	Netherlands	Energy	2.2%
Beazley PLC	UK	Financials	2.2%

As at 31 December 2022. See note 5, page 44.
Source: Platinum Investment Management Limited.

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

Fig. 1: US Employee Layoff Announcements Have Increased Sharply
Seasonally adjusted 13-week average

Source: Evercore ISI. As at 30 December 2022.

However, there are large differentials in growth outlooks across sectors. We have noted previously that many sectors that benefited from COVID (e.g. e-commerce, video streaming, jewellery) would face significant headwinds as "lockdown-inspired" demand fell away. Interest rate-sensitive sectors are also among the weakest, with the housing sector experiencing a collapse in demand. Bright spots include areas still recovering from COVID (e.g. travel, autos), beneficiaries of the trend to return manufacturing to the US and diversify supply chains (e.g. capital equipment, automation), and spending on decarbonisation and energy transition projects. Overall, softer economic activity and receding inflationary pressures are the likely outcomes, and with that, *a peak in short-term interest rates in the year ahead.*

Meanwhile, the **Chinese economy is poised to recover strongly**. During the quarter, the government announced various measures to provide funding to residential property developers. This will allow cash-strapped developers to complete projects that have stalled due to a lack of financing. Residential construction activity is an important sector for the wider economy, and as work recommences on projects across the country, the impact on overall economic growth should be significant. Further, the government has pivoted away from its stringent zero-COVID policy measures that have suppressed economic activity. As witnessed elsewhere over the last three years, the path to reopening is not easy, with a huge increase in infections, an overwhelmed health system, and sadly, a rising death toll. Nevertheless, as we have experienced elsewhere, we expect the country will move beyond this period as herd immunity builds, and the increase in mobility as lockdowns end will add further to economic activity. For more detail on these developments in China, please refer to the Platinum Asia Fund's quarterly report, and for a more detailed examination of the property sector, see our feature article, "*The Chinese Property Market: The Most Important Industry Globally Which Few Understand*".

Of the major economies, the **outlook for Europe remains the most uncertain**. The spike in energy prices that resulted from Russia's invasion of Ukraine has resulted in an outright loss of competitiveness for European industries. Along with that, both consumer confidence and business confidence have plunged, with the former now at levels below those seen in the global financial crisis (GFC). Energy-intensive industries, such as petrochemicals and fertilisers, have seen significant capacity closures.

Overall consumption of gas across Europe has fallen by the order of 20%.[3] While it would appear, at the moment, that Europe has enough gas in storage to avoid severe shortages this winter, the longer-term picture remains highly uncertain. However, there are some positives to offset this difficult environment. Firstly, the depreciation of the euro will offset some or all of the loss of competitiveness due to higher energy prices, depending on the energy intensity of a given business. Further, the likely recovery of China, an important trading partner for Europe, will be helpful.

3 https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20221220-3

Outlook

In summary, the world is looking like the mirror image of recent years, with a slowing US economy, a recovering Chinese economy, and a European economy somewhere in between. **The question is, what does all this mean for the outlook for equity markets?** In recent years, the huge divergence in valuations and share price performance across different sectors and geographies has made this general question difficult to answer. Today, some sectors and countries have experienced multi-year bear markets, where valuations are highly attractive and we are optimistic about future returns. On the other hand, many of the favoured growth names that led the bull market remain unappealing, in some cases due to questionable business models, and in other cases due to valuations that remain high despite deteriorating earnings growth. Also, defensive names remain highly valued as investors continue to seek out hiding places. The mix of these opportunity sets suggests that at a high level, the outlook for the broad market is muted, especially in the US, where there is a relatively higher weighting of growth stocks in the indices, while at a sector or stock-specific level, there remains the possibility of strong returns.

The one overriding risk for all markets is the monetary environment, not just interest rates, which we expect to peak sometime this year, but the lack of growth in the money supply in the major economies, except for China. This can change quickly if demand for credit from the private sector picks up strongly, though that seems an unlikely prospect at the moment. Many market participants are waiting for a sign that interest rates have peaked before diving back into the markets. We would be cautious on this front, as markets will still need to contend with poor earnings outcomes for some time after interest rates start to fall. With such a restrictive monetary environment, there is also the potential for a financial accident that broadly impacts markets. The collapse of the cryptocurrency markets does not appear to have had wider implications. We have long considered that such an accident is most likely to occur in unlisted assets (real estate, infrastructure, private equity) where there is little transparency, and we note with concern that some high-profile unlisted commercial real estate trusts in the US are reaching their monthly redemption limits.

Focusing on the opportunity side of the equation, there are some very prospective areas. One of the investment themes that will likely dominate the decade ahead is the **global energy transition as the world moves to reduce CO2 emissions**. This is a significant theme for the Fund, though we have broadly eschewed the obvious investment plays, such as solar panel makers, wind farms and electric vehicle (EV) producers. Instead, we see the current opportunity in companies that enable the transition through critical components and technologies. Examples include Infineon Technologies, a producer of the power semiconductors required to produce EVs, charging stations, and renewable energy technologies. UPM-Kymmene, a pulp producer that has developed technology to produce bioplastics and biodiesel from the waste materials from their current manufacturing lines, is another example. In mid-February, we plan to launch our new Platinum Global Transition Fund (Quoted Managed Hedge Fund) (subject to regulatory approvals), which will also provide access to this exciting and growing opportunity.

We continue to see **opportunities in companies that are yet to fully recover from the pandemic**, such as online travel agent Booking Holdings or low-cost airlines Ryanair in Europe and InterGlobe Aviation in India. **Businesses that were harmed by low interest rates**, such as European banks (Intesa Sanpaolo, Erste Group Bank, Raiffeisen Bank International), remain at interesting valuations. Meanwhile, **China, which has experienced a completely different economic and interest rate environment from the other major economies**, resulting in a prolonged bear market, is positioned for a strong rebound.

Platinum Global Fund (Long Only)

Clay Smolinski
Portfolio Manager

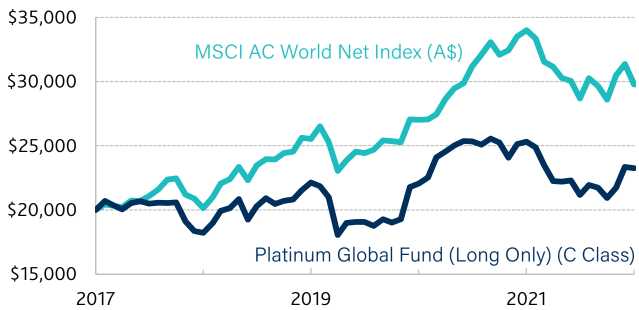
Performance

(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Global Fund (Long Only)*	11%	-8%	2%	3%	10%
MSCI AC World Index^	4%	-12%	5%	8%	7%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 28 January 2005.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years
31 December 2017 to 31 December 2022



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 44.

The Fund (C Class) finished the year on a strong note, rising 11.0% over the December quarter.[1]

The main contributors to the Fund's quarterly return were clustered in our Chinese and European holdings. Over the year, both of these regions had become "untouchable" for investors on account of the geopolitics for China, and access to natural gas for Europe, with stocks being heavily discounted as a result. In both cases, a more favourable outcome has occurred, with Europe showing the ability to reduce gas usage to avert the most dire energy shortage scenarios and China spectacularly throwing off its zero-COVID policy shackles, which will drive an economic recovery far quicker than most had expected.

This more positive outlook for both regions drove large moves in our major Chinese holdings, such as **Weichai Power** (+41%), **Trip.com** (+26%), **AK Medical** (+27%) and **Tencent** (+25%). In Europe, the standout contributors were **Erste Bank** (+32%), **Airbus** (+25%), **Wizz Air** (+20%), **Infineon Technologies** (+25%) and **Intesa Sanpaolo** (22%).

Detractors for the quarter were relatively limited. Of the major positions, the most notable moves were seen in financial products sales/administration platform **Allfunds** (-14%) and precision components manufacturer **MinebeaMitsumi** (-8%). In each case, the driver of these falls was more market-related than stock-specific, with Minebea reacting to the recent strengthening of the Japanese yen, and Allfunds, whose revenue relies on a percentage of assets under management, gyrating with bond and equity markets.

Changes to the Portfolio

In past quarterly reports, we have mentioned one guide we use to find investment opportunities is to keep asking what new problems need to be solved and what industries will benefit from providing the solution. A good recent example is Europe's renewed focus on energy independence, combined with a global goal to reduce carbon emissions, which is driving a wave of investment in electrification,

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

requiring power semiconductors, electric vehicle (EV) batteries, and copper/nickel, and also a reassessment of nuclear energy as a viable option. In exploring this change, the Fund has many current and former investments, including **Infineon Technologies** (power semiconductors), **LG Chem** (EV batteries), **Glencore** and **Sumitomo Metal Mining** (copper and nickel).

Along these lines, the issue of "security of supply" and "nearshoring" is getting a lot more focus by the business community and governments alike, following the experience of COVID supply chain disruptions, the Russia/Ukraine war, and geopolitical questions over a long-term reliance on Chinese manufacturing.

Given we have spent the last 40 years linking global supply chains, unsurprisingly, our discussions with companies keep reinforcing the fact that relocating these supply chains will be slower and more difficult than first expected. Indeed, the accelerated shift away from Russia as a sourcing destination is an interesting test case of the difficulties and unintended impacts this can have.

A live example of this is the refined product tanker market. Over the quarter, the Fund built new positions in **TORM** and **Scorpio Tankers**, both of which own a fleet of 'clean product tankers', ships used to transport products like diesel, jet fuel or chemicals.

Europe, with a passenger car fleet that is more diesel-reliant than other nations and has a shortage of domestic refinery capacity, has typically imported one million barrels of diesel from Russia to meet its needs. This trade route would typically entail a 10-day round trip from the port of Primorsk, through the Baltic Sea and into the ports of say, Rotterdam or Rostock.

However, due to self-sanctioning by companies, roughly half of this diesel is now being sourced from the US, Latin America or the Middle East, with the much greater distance from these respective regions turning the 10-day round trip into a 30-day round trip. The longer travel time reduces the effective supply of tanker capacity in the market, and this tightening in the market has seen tanker rental day rates triple! The profit impact on the ship owners has been immense, with Scorpio, which would typically make profits of US$100 million profit per year, now making US$100 million of profit *per month*. Furthermore, rates are likely to head higher as Europe introduces a full ban on Russian diesel imports on 5 February 2023.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
Europe	31%	28%	22%
Asia	30%	27%	30%
North America	19%	22%	26%
Japan	6%	6%	12%
Other	1%	1%	1%
Australia	0%	0%	3%
Cash	12%	16%	6%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Industrials	22%	21%	22%
Financials	14%	13%	15%
Information Technology	13%	14%	18%
Energy	10%	7%	1%
Materials	9%	11%	15%
Consumer Discretionary	7%	6%	7%
Communication Services	6%	5%	8%
Health Care	6%	5%	4%
Real Estate	2%	2%	3%
Consumer Staples	0%	0%	1%
TOTAL NET EXPOSURE	88%	84%	94%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
ZTO Express Cayman Inc	China	Industrials	4.5%
AK Medical Holdings Ltd	China	Health Care	4.4%
UPM-Kymmene OYJ	Finland	Materials	4.1%
Tencent Holdings Ltd	China	Comm Services	4.0%
Microchip Technology Inc	US	Info Technology	3.9%
Intesa Sanpaolo SpA	Italy	Financials	3.8%
Weichai Power Co Ltd	China	Industrials	3.5%
Trip.com Group Ltd	China	Consumer Disc	2.9%
Applus Services SA	Spain	Industrials	2.9%
MinebeaMitsumi Co Ltd	Japan	Industrials	2.8%

As at 31 December 2022. See note 5, page 44.
Source: Platinum Investment Management Limited.

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

The obvious solution to this shortage of tanker capacity is to bring on new ships, and operators have a massive financial incentive to do so. The roadblock to doing so is getting building slots at a shipyard, which post the COVID shipping boom and Europe's dash to secure liquefied natural gas (LNG) are booked solidly with orders for new container ships and LNG carriers. Hence, little meaningful new product tanker supply will enter the market for the next two years.

Overall, our investment in the tanker owners is a shorter-term trade, and we will have moved on well before any new supply comes online. However, we are also seeing longer-term changes linked to supply chain relocation, such as the step-up in demand for robotics and automation equipment as companies try to offset the dual problem of higher labour costs and availability of labour in locations closer to home by automating as much of their production line as possible. Our holding in Chinese heavy-duty truck manufacturer Weichai Power (through their ownership of automation provider Kion) benefits from this trend, and it is an area we continue to explore for further ideas.

In terms of other moves over the quarter, we built a position in Canadian uranium and enrichment player **Cameco**, which is benefiting from the revival in nuclear energy and the West's desire to shift away from Russian-sourced uranium fuel conversion and enrichment (Russia provides 27% and 39% of global conversion and enrichment capacity, respectively[2]). We also added to a number of our Chinese holdings, such as **Tencent**, **Trip.com**, **Weichai Power** and **ZTO Express,** following the large sell-off in October. We partly funded these positions by selling down the bulk of our holding in potash and phosphate fertiliser producer **Mosaic** and trimming our holding in **Microchip Technology** after the strong November rally in semiconductor stocks.

Outlook

When thinking about the outlook for asset prices in 2023, there are a number of factors to consider.

On the negative side, we would highlight:

1. The number of economic leading indicators that historically signal a recession continues to increase (conference board leading economic index, deeply inverted US yield curve, composite purchasing managers' surveys, trucking and housing activity etc.)
2. After an incredible period of new money creation in 2020/21, money outstanding as measured by M2 or US bank deposits is shrinking.[3] This is another expression of tight financial conditions and is not supportive of asset prices.
3. We are witnessing the bursting of the fourth great stock market bubble, the others being 1929, 1972 and 2000. While this is a small sample set, the breaking of these past bubbles was always followed by recession and market declines of circa 50%.[4]

On the positive side:

1. China is already in a deep recession and following the abandonment of its zero-COVID policy, it is likely to have a large economic recovery in 2023. With the size of the Chinese economy now approaching that of the US,[5] a strong Chinese recovery can offset weakness elsewhere.
2. The S&P 500 (-21%), Nasdaq (-33%) and STOXX Euro 600 (-14%) have all had decent corrections from their late December 2021 highs, and sentiment is cautious. Adjusting for inflation, the fall in value has been larger still.

Overall, we feel the background of a deflating equity bubble, a rapid increase in interest rates, and the normalisation of corporate earnings distorted by stimulus still calls for patience. While we have seen valuation multiples adjust in the face of higher interest rates, the next phase for investors is a focus on falling earnings.

The silver lining to the above is that, much like the end of the 2000 bubble, there is a decent amount of valuation dispersion within markets, with many industrial and cyclical sectors already priced incredibly cheaply. At this point in the cycle, our favoured method of operation is to be nimble with our cash, continue to rotate into sectors that are already pricing in a recession, and focus on building holdings in those industries that will be the sources of incremental investment and growth over the next five years.

2 Source: Cameco.

3 Source: Federal Reserve Bank of St. Louis.

4 We would highly recommend the research of Jeremy Grantham at GMO on financial bubbles: https://www.gmo.com/americas/research-library/entering-the-superbubbles-final-act/

5 At the end of 2022, the Chinese economy was roughly US$18 trillion vs. the US at US$25 trillion (Source: International Monetary Fund). For the past 40 years, the size of the US economy dwarfed all others, so having a closer economic equal to the US in a different recovery phase is a new scenario for investors.

Platinum Asia Fund

Andrew Clifford
Portfolio Manager

Cameron Robertson
Portfolio Manager

Kirit Hira
Portfolio Manager*

Performance

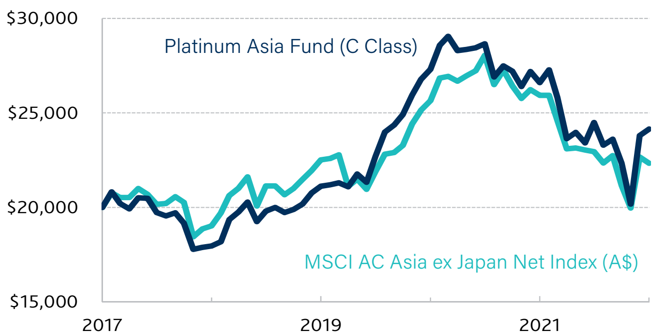
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	8%	-9%	5%	4%	13%
MSCI AC Asia ex Jp Index^	6%	-14%	0%	2%	9%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 4 March 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 2022



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 44.

The Fund (C Class) returned 8.2% for the quarter.[1]

Markets grappled with the withdrawal of liquidity, an inverted US yield curve and a potential 2023 US recession. Meanwhile, in Asia, easing core inflation and further central bank interest rate hikes, combined with expectations that the US Federal Reserve is closer to the end of its tightening cycle, led to a bottoming in most Asian currencies against the US dollar in October. The uncertain backdrop drove volatile markets across Asia. India (+4%) remained resilient, while Vietnam (-13%) best highlights the impact of tight domestic liquidity conditions. Hong Kong (+3%) remained volatile during the period, selling off ~15% post the 20th National Congress of the Chinese Communist Party (CCP), but subsequently recovering ~35% from the lows, following revised property and COVID measures.[2] Foreign sentiment towards China is recovering, with Hong Kong-listed shares (H-shares) rising more than their mainland China-listed counterparts (A-shares).

Chinese authorities made some adjustments to their zero-COVID policies, which the market took some comfort from. Improving sentiment benefited holdings such as travel website operator **Trip.com** (+26%) and hotel chain **H World Group** (+26%), which were among the biggest contributors to the Fund's performance. **Yum China** (+17%)

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

2 MSCI India, MSCI Vietnam, MSCI Hong Kong, respectively, in local currency. Source: FactSet Research Systems.

*Effective from 31 October 2022, Kirit Hira joined Andrew Clifford and Cameron Robertson as co-portfolio manager for the Fund. Kirit joined Platinum in 2016 as an investment analyst in the industrials and resources team. In April 2021, he joined the Asia regional team.

and **BOC Aviation** (+17%) were also solid performers, albeit they are smaller positions in the Fund.

Other notable performers in China included insurers **Ping An Insurance** (+32%) and **AIA Group** (+33%). Heavy-duty truck engine manufacturer **Weichai Power** (+41%) recovered with a bottoming in Chinese truck volumes and forklift/warehouse automation subsidiary KION AG trading well. Paper/containerboard manufacturer **Nine Dragons Paper** (+46%) also benefited from a bottoming in unit margins and hopes for a recovery in end demand.

After being one of the best-performing markets this year, the Indonesian bourse saw profit-taking during the quarter. Automotive holding company **Jardine Cycle & Carriage** (-15%) and paints company **Avia Avian** (-21%) were the weaker performers in this market. Our holdings in Vietnamese retailer **Mobile World Investment** (-33%) and listed fund **Vietnam Enterprise Investments** (-8%) also suffered with the broader sell-off in the local market. Finally, memory semiconductor **SK Hynix** (-10%) was weaker given elevated inventory levels and further DRAM price cuts in light of weak end demand.

Our stock-specific short positions modestly cost performance during the quarter. We remain largely unhedged on currency exposures, which modestly detracted from Australian dollar performance.

Changes to the Portfolio

We continue to refine the portfolio as new ideas are unearthed and portfolio positioning is adjusted. While we have not added to our net position in China, the sell-off in Hong Kong-listed China assets during the quarter presented us with an opportunity to switch our A-share exposure to specific Chinese companies into their respective H-shares, which were trading at significant discounts at the time. By the end of the quarter, discounts had reverted to more normal levels, and we commenced the process of switching our dual-listed Chinese holdings back to A-shares.

We started a position in Chinese waterproofing manufacturer **Beijing Oriental Yuhong**. While building material suppliers have struggled with the property downturn, the outlook appears more promising as property starts to bottom, completions drive late-cycle interior waterproof application and suppliers focus on cash collection from developers. Recent policies to improve building quality will see increased requirements for waterproofing with longer warranty periods. Finally, Yuhong has also leveraged its strong distribution channel to enter new building material markets, such as mortars and decorative wall coating.

In India, we exited our position in private bank **ICICI Bank**. ICICI has navigated the COVID period well, booking excess provisions with lower non-performing loans while carrying surplus capital. However, with system credit growth at multi-year highs of ~17%[3] and margins elevated, the positive outlook is well understood, and valuations have become stretched versus other investment opportunities. We also further trimmed our position in automaker **Maruti Suzuki**.

We made a number of other adjustments during the quarter. These included adding to our Korean positions, such as home appliance company **Coway** and specialty chemical producer **Soulbrain**. Foreign ownership in Korea remains at global financial crisis (GFC) lows, valuations look attractive and further steps were taken to improve governance. We reduced our position in Chinese software maker **Kingsoft**.

3 RBI, Macquarie Research, December 2022.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
China	52%	49%	45%
South Korea	11%	10%	10%
India	8%	10%	11%
Vietnam	6%	6%	6%
Taiwan	5%	5%	6%
Hong Kong	4%	4%	6%
Philippines	3%	2%	2%
Macao	2%	2%	1%
Singapore	1%	2%	1%
Thailand	1%	0%	0%
Indonesia	1%	1%	0%
Cash	6%	8%	12%
Shorts	-1%	-1%	-1%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Consumer Discretionary	20%	22%	18%
Real Estate	14%	13%	13%
Industrials	14%	14%	13%
Information Technology	13%	14%	16%
Financials	11%	12%	12%
Materials	5%	4%	3%
Communication Services	4%	4%	4%
Consumer Staples	4%	4%	3%
Other	4%	4%	4%
Health Care	1%	1%	1%
Energy	0%	0%	0%
TOTAL NET EXPOSURE	92%	91%	87%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

More recently, we also trimmed our exposure to **Trip.com** and **H World** and fully exited our position in Macao casino operator **Melco Crown Entertainment**.

We ended the year with a relatively high net invested position of 92%.

Commentary

The negative **China** headlines reached a crescendo after the closing of the National Congress, where President Xi Jinping was re-elected for an unprecedented third term as General Secretary of the CCP. Concerns mounted that the Standing Committee comprised Xi loyalists, including Shanghai Party Secretary Li Qiang, the likely successor to Li Keqiang as Premier, further consolidating Xi's power. This was complicated by several well-respected members retiring from the Central Committee. The Hang Seng sold off to levels not seen in 13 years, and the A-share/H-share spread reached decade highs of ~50%.[4] Chinese elite politics remains opaque at the best of times. President Xi has had a strong political base for many years and this was a further step in that direction. Nonetheless, markets were alarmed by the latest political developments.

The primary concerns facing China remain the downturn in the property sector, rolling zero-COVID lockdowns and, more recently, weakening exports. These have sent China into a severe economic downturn. An added dimension has been escalating geopolitical tensions with the West, which have seen tail events, such as speculation of an invasion of Taiwan or more widespread secondary sanctions on Chinese businesses/individuals, come to the fore. It was encouraging to see some positive developments addressing all these concerns in recent months.

Having dealt with the initial COVID strains well in 2020, China has struggled to manage the Omicron variant for much of 2022. With an older demographic, relatively ineffective domestic vaccines and poor vaccination rates, authorities have resorted to rolling lockdowns to minimise contagion, most recently, in Beijing, Guangdong, Chongqing and Sichuan during November, culminating in ~25%[5] of China's economy in lockdown and the 'white paper' protests.

In the wake of growing social unrest and severe economic impact, Chinese authorities pivoted from the stringent zero-COVID policies with a 20-point plan announced in early November. While this included a further easing of quarantine rules, of interest, were measures to increase hospital/ICU capacity and build stockpiles of COVID-related treatments, one would assume, ahead of a more formal cessation of lockdowns. More recently, quarantine for inbound travellers will be scrapped early in the new year and outbound travel is opening up. This gives some confidence that a reopening of the last remaining closed economy is on the horizon.

4 Source: FactSet Research Systems.

5 Nomura, November 2022.

As we have witnessed in other countries, the path to reopening will not be easy. We will see headlines relating to shortages in medical treatments, stretched hospital resources and, unfortunately, higher instances of death over the coming months before either herd immunity is reached or we see widespread inoculation with Western vaccines. How other countries deal with inbound Chinese travellers in the interim should also be closely watched, with a number of countries already reintroducing testing requirements for inbound Chinese travellers.

The contagion from the "Three Red Lines" policy progressively escalated to the wider Chinese property sector over 2022. Given the systemic importance of the sector to the wider Chinese economy, it was only a matter of time before mitigating measures were taken. Authorities extended liquidity to property developers via the "Three Arrows", namely bank credit, bonds and equity issuance. In total, we have seen Rmb4 trillion in credit disbursement and bond issuance to more than 60 developers, with 19 A-share-listed developers planning to raise equity.[6] Early in the new year, an outright easing of the "Three Red Lines" policy was reported.

With a firmer policy in place, liquidity flowing and high-yield bond spreads narrowing, the immediate financial distress facing Chinese developers has been averted. However, the collateral damage appears to be a crisis of confidence from both developers and property buyers alike. Year-to-date developer land purchases were down 54% year on year to November and contract sales have fallen 43%.[7] Those developers that have defaulted have seen more material sales declines of 70-90%, while state-owned developers have fared better. Previously tight liquidity, COVID lockdowns, property price declines and concerns around stressed developers completing projects have all contributed to the downturn. The path to recovery for the property market still has a long way to play out. While vague, the recent Central Economic Work Conference hinted at new real estate development models, which could point to some forthcoming structural changes. Our feature article "*The Chinese Property Market: The Most Important Industry Globally Which Few Understand*" by Investment Analyst Julian McCormack addresses these questions in more detail.

6 Source: Goldman Sachs.

7 Source: citi.

The G20 Summit, held in Bali in November, marked the first instance President Xi held face-to-face meetings with Western counterparts for three years. A more moderate formal address from Xi combined with one-on-one meetings with Western leaders was viewed as a thawing of geopolitical relations with the West.[8] German Chancellor Olaf Scholz was the first Western leader to travel to Beijing to meet President Xi post the National Congress. While the visit polarised Europeans, the fact that a business delegation of German CEOs accompanied Scholz is a timely reminder of how integrated China remains with the global economy and perhaps how difficult it would be to completely unwind this.[9]

Turning to the rest of the region, **India** deserves a mention given the resilience of the market. After a decade-long deleveraging cycle, loans to Indian corporates grew ~14% year on year in October.[10] With capacity utilisation approaching 75%, a US$1.3 trillion infrastructure pipeline and a resurgent residential property market, there is growing optimism surrounding a forthcoming capital expenditure (capex) cycle. Both factors could prove a powerful combination supporting economic growth and this certainly features in Prime Minister Modi's plans for a US$5 trillion economy by 2025. We have previously mentioned the structural reforms implemented by the prime minister, the most notable of which relates to the Production Linked Incentives Scheme, which will see ~US$28 billion of incentives for manufacturing across 14 sectors. Over the past year, ministries have finalised the awards across multiple industries. While IT services remain India's greatest export, it still only employs 4.5 million people. A vibrant manufacturing sector offers more compelling opportunities for labour upskilling in a country where agriculture still employs 40% of the population. Perhaps the only critique is that policy remains focused on India's indigenous requirements rather than being truly export competitive. While the prospects for India look bright and we remain optimistic regarding our current Indian investments, the elevated valuations do curb some of our enthusiasm for the broader market.

During the quarter, members of our team visited Thailand and Indonesia. **Thailand** is reemerging post-COVID. With a heavy reliance on tourism (~20% of pre-COVID GDP),[11] a less aggressive tightening stance by the Bank of Thailand (BOT) and a general election forthcoming in May 2023, it remains the only ASEAN economy where GDP is still below pre-pandemic levels. However, inbound tourism is recovering quickly from ~10 million in 2022 to as much as 23 million expected in 2023 as Chinese tourists return.[12]

Indonesia has been one of the region's best-performing economies and markets, supported by a resource-rich trade surplus. Like many Asian countries and with the new business-friendly Omnibus Jobs Creation Bill enacted, Indonesia is also a beneficiary of large foreign direct investment. Specifically, Indonesia is focused on leveraging its vast nickel resources into a vertically integrated electric vehicle industry, with leaders such as LG Energy, Chinese battery maker CATL and Hyundai already committing large sums of foreign direct investment to set up manufacturing. These trips yielded valuable on-the-ground insights after many years between visits. Small positions in a number of new ideas were initiated in the Fund post the trip.

Outlook

Given an uncertain backdrop, it remains difficult to express absolute confidence about the direction of Asian markets in 2023. While inflation is normalising from its elevated levels and interest rates are getting closer to the end of their tightening cycle, the risk of a US recession is gaining wider acceptance, with possible contagion to some Asian economies. That said, there are seeds of optimism for Asian markets, particularly as most economies appear more resilient versus prior downturns, given more stable political settings, proactive monetary policy combined with sound structural reforms, and China emerging from COVID. We continue to find attractive investment opportunities, with valuations across many markets remaining reasonable.

8 https://www.fmprc.gov.cn/eng/zxxx_662805/202211/t20221115_10975446.html

9 https://www.bundeskanzler.de/bk-en/news/chancellor-guest-article-politico-china-2139576

10 RBI, Macquarie Research, December 2022.

11 https://knoema.com/atlas/Thailand/topics/Tourism/Travel-and-Tourism-Total-Contribution-to-GDP/Contribution-of-travel-and-tourism-to-GDP-percent-of-GDP

12 Source: TISCO, Jefferies.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
ZTO Express Cayman Inc	China	Industrials	5.1%
Taiwan Semiconductor	Taiwan	Info Technology	4.8%
Ping An Insurance Group	China	Financials	4.4%
Samsung Electronics Co	South Korea	Info Technology	4.4%
Tencent Holdings Ltd	China	Comm Services	4.3%
InterGlobe Aviation Ltd	India	Industrials	4.2%
Vietnam Enterprise Inv	Vietnam	Other	4.1%
China Resources Land Ltd	China	Real Estate	3.5%
Trip.com Group Ltd	China	Consumer Disc	3.4%
JD.com Inc	China	Consumer Disc	2.9%

As at 31 December 2022. See note 5, page 44.
Source: Platinum Investment Management Limited.

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

Platinum European Fund

Adrian Cotiga
Portfolio Manager

Nik Dvornak
Portfolio Manager

Performance

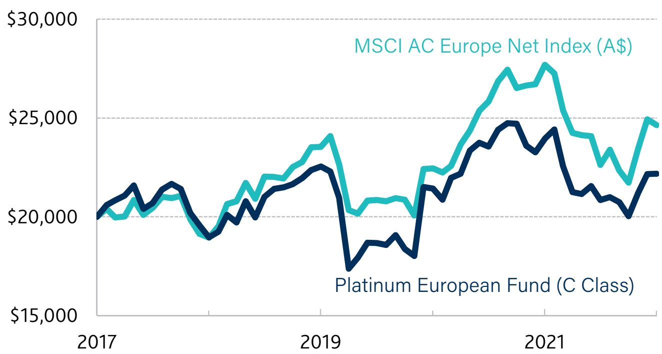
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	11%	-7%	-1%	2%	10%
MSCI AC Europe Index^	13%	-11%	2%	4%	3%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Europe 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 2022



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 44.

The Fund (C Class) returned 10.7% for the quarter.[1]

European markets staged a strong recovery over the quarter, with the Financials, Industrials, Consumer Discretionary and Healthcare sectors leading the way. Investors were more positive on Europe as fears of a deep recession driven by an energy crisis subsided, helped by a significant reduction in gas demand by 20%[2] and favourable weather (see the Platinum Global Fund (Long Only) report for more on the energy sector).

Inflation remains the most significant challenge for Europe, but so far, it seems manageable. At face value, Europe's headline inflation rate of 10.1% is much higher than the US's rate of 7.1%, largely due to higher energy costs.[3] While the European Central Bank (ECB) has been slower in increasing rates, it has recently picked up the pace, and the employment market, although tight, is not as "hot" as the US employment market.

During the quarter, the ECB increased the official interest rate by 1.25 percentage points to 2.5% and expects to raise it significantly further, with both headline and core inflation (excluding food and energy) tracking substantially higher than the 2% target. Post-COVID, pent-up demand for services and wage rises are fuelling underlying inflation. Inflation expectations seem to be well anchored, with median expectations over the next 12 months at 5.4%, while expectations for inflation three years ahead are unchanged at 3.0%.[4]

Unemployment continued to track lower, while consumer confidence bounced somewhat from the recent lows, however, it is still below levels reached during the global financial crisis (GFC).[5] Clearly, European labour markets are still strong, with labour shortages at new highs[6] but wage growth has not spiralled out of control. For example, the IG Metall union, which covers almost four million workers in Germany's industrial sector, will receive a pay raise of 5.2% in 2023 and 3.3% in 2024, in addition to €3,000 in tax-free

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

2 Source: Eurostat.

3 Source: FactSet Research Systems.

4 Source: ECB Consumer Survey Expectations.

5 Source: https://tradingeconomics.com/

6 Source: European Commission.

bonus payments, reflecting the one-off nature of some of the inflationary pressures. We find it interesting that Germany's largest labour union and employers agreed on two rounds of wage increases for industrial workers at levels well below inflation and within a construct that is less likely to introduce long-lasting rigidity in the labour market.

The strongest contributors to performance were our bank holdings, notably **Raiffeisen Bank International** (+26%), **Banca Transilvania** (+19%), **Bank of Ireland** (+35%) and **Erste** (+32%), which benefited from higher interest rates.

Our travel stocks **Airbus** (+25%), **Booking Holdings** (+23%), **Ryanair** (+28%) and **Wizz Air** (+20%) recovered the losses from the second half of the September quarter following better-than-expected operational performance.

Other strong performers included European glass packaging manufacturers **Vidrala** (+41%) and **Verallia** (+37%). Both of these stocks had been sold off on concerns of rising energy costs due to the high use of natural gas within glass-smelting furnaces. These concerns are likely overstated as these businesses are able to use alternative fuel sources for furnaces. Additionally, the industry has proven that it has the ability to pass through inflationary costs to customers, and stable demand growth is outpacing supply, helping the stocks to rise strongly over the quarter.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
United Kingdom	24%	23%	26%
Romania	8%	8%	7%
Germany	7%	7%	9%
Switzerland	7%	7%	8%
France	6%	8%	7%
Austria	6%	5%	4%
Netherlands	5%	4%	4%
Ireland	5%	4%	5%
United States of America	5%	4%	4%
Spain	3%	3%	3%
China	3%	2%	4%
Finland	2%	2%	2%
Czech Republic	2%	2%	1%
Australia	2%	1%	0%
Italy	2%	2%	2%
Sweden	1%	1%	0%
Belgium	1%	1%	0%
Norway	0%	1%	2%
Cash	11%	13%	12%
Shorts	-25%	-25%	-8%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Our worst-performing stocks were **Allfunds** (-14%) and a number of smaller biotech holdings. Allfunds is an electronic network linking financial advisers with fund managers operating in an oligopolistic market structure. While we believe that the business will be significantly larger and more profitable in five years' time, in the short term, it has been impacted by volatile markets and the sell-down of significant stakes by two large shareholders. We took advantage of this opportunity and added materially to our position.

Changes to the Portfolio

During the quarter, we trimmed some of our better-performing stocks, while starting small positions in a number of stocks that had weakened significantly from short-term uncertainty, such as **Siemens Energy**.

At the end of September, we initiated a position in **Puma**, the third-largest sportswear brand in the world with about 2% market share.[7] Sportswear benefits from long-term structural growth trends, as well as from a favourable industry structure. Over the last decade, trends such as casualisation, athleisure, comfort, and health and wellness have been associated with the growth of the sportswear industry. Hybrid working arrangements since COVID have incrementally added to these trends. About 75% of sports brands' marketing spend relates to team and athlete endorsements. Few brands can effectively monetise these expensive sponsorships across a universal consumer base with a wide range of products. The largest brands dominate mindshare, generate superior returns on investment (ROI), and are able to pay more, thus crowding out insurgent brands, which have lower recognition, consideration, buying intent, and consumer loyalty.

7 Source: Euromonitor.

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Financials	32%	30%	31%
Industrials	13%	13%	17%
Consumer Discretionary	13%	13%	14%
Health Care	7%	8%	5%
Communication Services	6%	6%	6%
Information Technology	5%	5%	1%
Materials	5%	4%	3%
Real Estate	2%	2%	2%
Energy	2%	2%	2%
Consumer Staples	2%	2%	0%
Other	-22%	-22%	0%
TOTAL NET EXPOSURE	64%	62%	80%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Puma has positioned itself as "the fastest brand in the world" and is associated with Usain Bolt, who has been a key endorser of the brand since his teenage years. The brand has re-accentuated its performance heritage in football and aims to represent brave, confident, determined, and joyful values, with a hint of rebelliousness and cheekiness. These carry the brand well into youth fashion and are a bit different from Nike's more serious positioning. Puma's price positioning is somewhat lower than that of Nike and Adidas on similar products.

In 2013, Puma installed a new management team that instituted a turnaround plan, recognising the under-investment in its performance heritage, which aids consumer perceptions in terms of authenticity and credibility. Puma built consumer appeal by using celebrities as well as athletes in marketing campaigns. One of the key successes in Puma's turnaround journey has been its partnerships with celebrity influencers, particularly women. This included Rihanna, Selena Gomez, and recently Dua Lipa. Puma's product strategy prioritises a comprehensive offer for women and over-indexes to women relative to its competition.

Puma's expansion into basketball is a good example of how it is building momentum and relevance. In 2018, Puma re-entered the Nike/Jordan-dominated US basketball segment, appointing Jay-Z in a creative director role, signing rookie players in the draft, and adding basketball product ranges. They now have a roster of about 20 stars, with LaMelo Ball being the most well-known and having a signature shoe. Puma's objective is not only to participate in the sizable market for basketball footwear but also to create a halo effect for the brand and gain shelf space with retail partners.

It has taken years for the company to complete its product development and segmentation strategy. As a result, Puma's financial results improved, and revenue grew faster than any of its competitors, doubling in the last six years, while its operating margin rose to 8%, closing the gap with Adidas.[8]

8 FactSet Research Systems.

After benefiting from COVID-boosted demand over the last 18 months, sportswear stocks have declined as investors contemplate a recession, with associated pressure on sales and margins, which are retreating from elevated levels. Furthermore, investors are concerned that the strong growth and outsized margin contribution that China has offered brands in the last decade may not continue due to weaker economic growth and increasing competition from local brands. This backdrop has seen Puma's stock price fall ~50%. We are attracted by this work-in-progress brand that is well-positioned in the structurally appealing sportswear industry.

Outlook

The European market is down 10% over the last 12 months in local currency terms.[9] We believe that the market is still somewhat complacent about the deteriorating economic situation and the impact of higher interest rates and higher energy and labour costs on corporate profits.

The environment remains highly uncertain. Monetary conditions are no longer extremely loose. Higher interest rates are slowing down the European economies, and we are unlikely to see interest rate cuts anytime soon. Energy supply remains unresolved, even though Europe managed to get through the winter without any major rationing of gas.

The portfolio is 64% net invested, with 25% in shorts and 11% in cash. We are positioned defensively to protect our investors' capital, and we continue to hold significant index shorts and a few individual stock short positions. We continue to buy stocks that we feel offer good value, and our pipeline of ideas is growing steadily.

9 MSCI All Country Europe Net Index, local currency.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Beazley PLC	UK	Financials	4.5%
Fondul Proprietatea SA	Romania	Financials	4.4%
Booking Holdings Inc	US	Consumer Disc	4.3%
Airbus SE	France	Industrials	4.0%
Informa PLC	UK	Comm Services	3.9%
Banca Transilvania SA	Romania	Financials	3.6%
Raiffeisen Bank Int'l	Austria	Financials	3.6%
Bayer AG	Germany	Health Care	3.4%
ASML Holding NV	Netherlands	Info Technology	3.2%
Ryanair Holdings PLC	Ireland	Industrials	3.2%

As at 31 December 2022. See note 5, page 44.
Source: Platinum Investment Management Limited.

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

Platinum Japan Fund

James Halse
Portfolio Manager

Performance

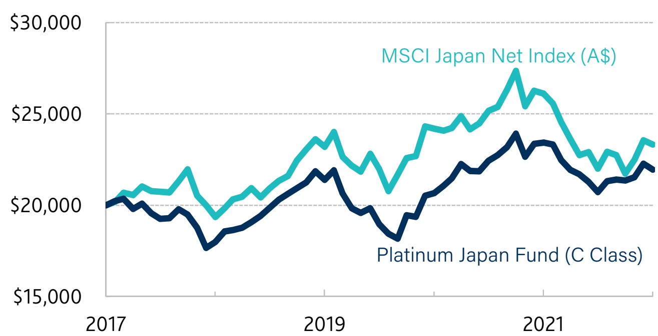
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	3%	-6%	1%	2%	13%
MSCI Japan Index^	7%	-11%	0%	3%	3%

+ Excludes quarterly performance.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 2022



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 44.

Japanese equities rallied during the quarter, at first in line with other developed markets, then likely on news that China, Japan's close neighbour and major trading partner, was exiting its zero-COVID policies, which has positive implications for the return of Chinese tourists and the demand for Japanese goods. The rally persisted even as the yen strengthened, until late in the quarter, when the Bank of Japan (BOJ) surprised the market by announcing it would increase its target band for the 10-year bond rate, causing the yen to strengthen further and equities to sell off. Overall, for the quarter, the combination of rising equities and a rebounding yen helped the Fund (C Class) deliver solid performance, returning 2.8% for the period.[1] Unfortunately, this was below the market's return, due primarily to our currency positioning and low exposure to financial services stocks, which rallied due to the prospect of stronger profits as a result of higher interest rates.

Regular readers may recall our discussion of yen weakness in the September quarterly report and our use of hedging to mitigate some of the effects of that move on investors in the Fund. By September, we viewed the yen as cheap and removed our hedging, with the decision aided by a form of backstop in terms of the expressed intention of the Japanese government to intervene in the currency market to prevent further rapid depreciation. That backstop was not tested rigorously because the pressure on the currency from an appreciating US dollar (USD) reversed as US bond yields fell on expectations of less aggressive rate increases in the face of cooling inflation. In November, we did move some currency exposure back to the Australian dollar (AUD) as we saw continued prospects for widening interest rate differentials that would make the AUD relatively more attractive to investors. However, this has not yet played out as anticipated due to the Reserve Bank of Australia's persistence with small 0.25% hikes at its November and December meetings, despite rampant inflation, as well as falling yields at the longer end of the AUD curve, which reduced the longer-term rate differential with the yen. These dynamics were further compounded by the BOJ's decision near the end of the quarter.

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

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
Japan	83%	80%	80%
South Korea	9%	8%	7%
Cash	9%	12%	12%
Shorts	-6%	-6%	-8%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Information Technology	27%	20%	20%
Industrials	19%	21%	25%
Materials	19%	19%	16%
Consumer Staples	6%	8%	4%
Consumer Discretionary	6%	5%	6%
Communication Services	4%	6%	5%
Health Care	3%	3%	3%
Financials	0%	0%	2%
Real Estate	0%	0%	1%
Other	0%	0%	-2%
TOTAL NET EXPOSURE	85%	82%	80%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Toyo Seikan Group	Japan	Materials	7.4%
Fuji Soft Inc	Japan	Info Technology	5.0%
Fujitec Co Ltd	Japan	Industrials	4.8%
MinebeaMitsumi Co Ltd	Japan	Industrials	3.9%
Toyota Motor Corp	Japan	Consumer Disc	3.1%
Pigeon Corp	Japan	Consumer Staples	3.0%
Unicharm Corp	Japan	Consumer Staples	2.8%
Lixil Group Corp	Japan	Industrials	2.8%
Open House Co Ltd	Japan	Consumer Disc	2.7%
Doosan Bobcat Inc	South Korea	Industrials	2.7%

As at 31 December 2022. See note 5, page 44.
Source: Platinum Investment Management Limited.

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

The yen remains cheap at current levels of around ¥132 to the USD, which enhances Japan's relative competitiveness, particularly in the area of labour costs. As a result, we are seeing increased announcements around major investments in domestic production capacity, as companies seek to take advantage of these low costs while steering clear of the rising geopolitical tensions between the US and China, and shortening supply chains in response to the issues experienced during the pandemic and Russia's invasion of Ukraine. Projects announced include new semiconductor chip fabrication plants for Taiwan Semiconductor Manufacturing (TSMC) and Kioxia (51% owned by Toshiba/49% by Bain Capital) and a new multi-billion dollar image sensor plant for Sony. While not yet reflected in the gross capital formation statistics, we expect these projects to flow through in due course.

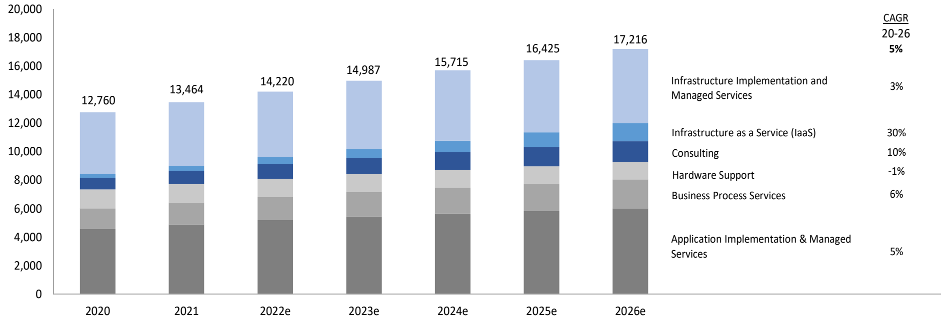
It is not just in hardware component manufacturing where we are seeing this pick-up in activity. Investment in IT services and software has accelerated as the pandemic forced recognition of the need to replace antiquated systems and processes (see Fig. 1 on the following page). Social distancing requirements were a wake-up call for private and government organisations that were reliant on customers and suppliers using paper-based forms that required an in-person appearance. Increasingly, processes are being digitised, on-premise software systems and applications moved to the cloud, and antiquated mainframes retired.

This step-up in growth creates a supportive environment for the domestic IT services sector, which is in any case, particularly well-positioned in Japan due to the lack of in-house capability, even amongst many of the largest and strongest companies.

This dynamic relates to the nature of the employment market in Japan. Companies hire graduates out of university with the expectation they will stay with the company for life and rotate through many departments. Software engineering graduates typically want to be software engineers and not rotate through finance, marketing, and operations. This leads to more than 70% of software engineers in Japan being employed by IT service firms, also known as System Integrators (SIs). Given the shortage of engineers in Japan, this places the SIs in a strong position. We met with many of these companies and their customers on our recent trip to Japan and this story was reinforced everywhere. We have exposure to this theme via several positions, including SIs **Fuji Soft** and **DTS**, and cloud software company **Hennge K.K**.

The relative inefficiency of this system also creates opportunities for innovative younger companies. One such business we took an initial position in during the quarter is **SHIFT, Inc**. SHIFT provides independent software testing

Fig. 1: Japan IT Service Market Outlook (JPY billions)



Source: Gartner/Bank of America. CAGR = Compound annual growth rate.

and assurance services both to end clients and to the SIs using specialised testers who do not have to be experienced software engineers. This allows SHIFT to provide testing at a lower cost than the SIs, which the end clients love. One might be forgiven for thinking the SIs would resist this outsourcing, but with the shortage of engineers, the SIs are all too happy for SHIFT to take on this lower-value work and free up their engineers for higher-value tasks. SHIFT has been growing rapidly and looks to have a long growth path ahead of it.

We took advantage of the sell-off in high-growth names to start an initial position at an average price of around ¥20,500 per share while we completed our full due diligence. The stock quickly appreciated past ¥28,000, unfortunately too quickly for us to build a full position at the price we wanted. The sell-off in high-growth stocks over the last month may provide another opportunity. We will continue to watch the stock and believe the company has a promising future.

Strong performers in the quarter included **SHIFT** (+15% from initial purchase), owner of the Bobcat small-earth mover brand **Doosan Bobcat** (+21%), coating-machine maker **Hirano Tecseed** (+31%), and seismic consultant **Oyo** (+22%). Major detractors from performance included memory maker **SK Hynix** (-10%) as the memory industry downturn deepened, household fixtures manufacturer **Lixil** (-6%) as it reported results impacted by cost inflation and downturns in the US and Europe, and **Toyo Seikan** (-7%) after releasing weaker earnings impacted by input cost increases.

Changes to the Portfolio

During the quarter, we added new positions in **SHIFT**, as described above, and **Hennge**, a provider of cloud-based security services, in particular a single sign-on product that provides secure access to multiple third-party applications. We also added to positions in **Fuji Soft**, **Oyo**, **DTS** and **Nippon Ceramic**. The latter is a leading manufacturer of sensors for security cameras and automobile applications. We exited positions in construction conglomerate **Infroneer** for a small profit, as the case around the merging of the different listed components of the former Maeda Group played out. We also sold SI company **Biprogy** as we saw better opportunities in DTS, Fuji Soft and SHIFT.

Outlook

While inflation remains relatively benign if viewed at a core level that excludes food and energy, the BOJ (likely pushed by Prime Minister Fumio Kishida) has clearly responded to the pain being experienced by consumers as they face dramatic increases in the cost of living, without accompanying increases in their incomes. We expect any moves to further normalise interest rates in Japan will be cautious and measured to minimise any market disruptions. While further increases are possible, the recent strength of the yen, which makes imported consumer products less expensive, has likely lessened the pressure on the BOJ to take more drastic action. Monetary policy continues to be loose, which should be supportive of stock prices, and combined with the evidence we are seeing of increased reshoring of manufacturing capacity, points to a relatively healthy outlook for the domestic economy. Exogenous shocks such as a deep recession in the US and Europe remain a risk, but Japan may be cushioned in such a scenario by a recovery in the economy of its large neighbour, which is out of sync with the remainder of the world as it emerges from its zero-COVID policy and loosens its recent tight monetary and regulatory policy stance.

On the corporate governance front, we see continued grounds for optimism as an activist shareholder succeeded in appointing two independent directors to the Board of Fuji Soft, and another activist has called an extraordinary general meeting to replace the "independent" directors at elevator manufacturer Fujitec. Even if not fully successful, these actions reinforce to company boards in general, and outside directors in particular, the importance of listening to shareholders and adopting good governance practices if they wish to avoid being a target of shareholder action. We expect that, over time, this should translate to better corporate performance and cash returns for shareholders across Japanese equity markets.

Platinum International Brands Fund

James Halse
Portfolio Manager

Performance

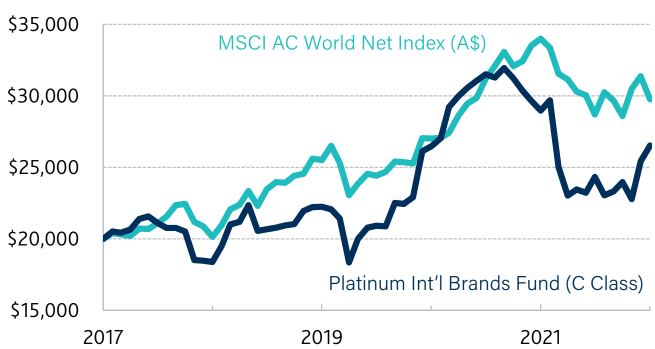
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Brands Fund*	11%	-8%	6%	6%	12%
MSCI AC World Index^	4%	-12%	5%	8%	4%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 2022



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 44.

A dramatic rally in Chinese stocks from their intra-quarter lows helped the Fund (C Class) deliver a pleasing 10.7% return over the quarter.[1]

The stocks rallied as deeply negative investor sentiment on China's government leadership and economic policies began to reverse as the likelihood of a near-term exit from zero-COVID policies increased. The solid quarter-end performance result, however, understates the extent of the rebound following a very rocky start through the end of October, as the Fund fell 6% due to increasing investor fears around China's economy, even as global markets rose almost 7%, boosted by strong performance in the US and Europe. From its intra-quarter lows, the Fund rose 16.7%.

Despite the strength in global markets, our short book provided a positive contribution, assisted by the continued dismal performance of speculative former high-flyers. Of the ten stocks in which the Fund held positions that registered the largest declines in price during the quarter, eight were short positions for the Fund. This was a particularly pleasing result and contributed solidly to the Fund's overall returns.

Finally, the Fund benefited from our relatively large yen exposure and action taken in October to shift some US dollar (USD) exposure back into the Australian dollar. The USD reversed dramatically over the quarter, falling against all major currencies from considerably overbought levels. The yen was particularly strong as the Bank of Japan signalled it may be moving toward the end of its ultra-easy monetary policy via its action to increase the target yield range for the 10-year Japan Government Bond. While the strength of the AUD and the global nature of the Fund meant that currency provided a slight negative contribution overall, our active currency management mitigated this significantly.

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

The major market debate amongst investors in consumer stocks is to what extent the strength of the US consumer can persist in the face of the rapid rise in interest rates and the negative wealth effect of falling house prices and declining bond and stock prices. The job market continues to be strong, with buoyant wage increases and labour shortages in many areas. That said, housing starts, known as a bellwether for employment, have rolled over and appear likely to show continued deterioration in light of much-decreased affordability due to the much-increased payments now required on new mortgages. Conversely, the fall in the price of oil and other commodities has provided a cushion for consumer spending as wallets are less burdened by spending on necessities. Nevertheless, the US personal savings rate fell to a record monthly low of 2.2% of gross domestic product in October as many households draw down on pandemic-era excess savings,[2] and credit card debt has surged to record levels, more than reversing the decline during COVID.[3]

We can observe areas of weakness where the impact of the withdrawal of pandemic stimulus and a reversal of the stay-at-home spending trends has seen retail sales and margins begin a reversion to pre-pandemic levels. This is especially visible in categories such as furniture and homewares, casual apparel, and jewellery. That said, areas like home improvement, luxury goods, travel, and sporting goods continue to demonstrate somewhat surprising strength.

Of course, "strength" is a nebulous term in an environment where the inflation rate in many categories has reached well into the double digits. If a retailer of such categories is reporting, say, 5% growth in like-for-like sales, a result most retailers would have been very happy with before the pandemic, then it is actually experiencing a more than 5% decline in the volume of products sold per store. This is not, in most cases, a recipe for a healthy business longer term. For the moment, however, investors seem most focused on the ability of companies to effectively pass on pricing to consumers, as can be seen in the relatively strong performance of consumer staples stocks that have pushed through large price increases. With the recent decline in input costs likely to flow through into smaller price increases going forward, it will be interesting to see how the market reacts to slowing sales "growth", even as margins may expand.

2 https://fred.stlouisfed.org/series/PSAVERT

3 https://fred.stlouisfed.org/series/CCLACBW027SBOG

In contrast to the US, the Chinese consumer was not previously buoyed by large stimulus payments, has been locked down and thus constrained in the ability to spend, and is now experiencing a loosening of monetary conditions – the opposite of the dynamic in the West. The exit from the zero-COVID policy restrictions, should, once the current wave of infections subsides, unleash pent-up demand across many categories – especially services such as travel and leisure. Many relevant stocks have now moved upward in anticipation of a recovery, but remain at depressed levels well below pre-COVID trading and are certainly not incorporating expectations for a wave of new spending.

As highlighted above, Chinese stocks topped the performance list for the Fund's holdings during the quarter. High-end funeral and burial services provider **Fu Shou Yuan International** rallied 55% from depressed levels, casino operator **Melco International Development** gained 39%, and online travel agent **Trip.com** rose 26%. These companies have all suffered from pandemic control measures.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
Asia	39%	37%	45%
North America	18%	19%	11%
Europe	17%	10%	22%
Japan	13%	16%	15%
Other	0%	0%	1%
Cash	12%	18%	5%
Shorts	-27%	-29%	-21%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Consumer Discretionary	37%	30%	41%
Communication Services	10%	13%	12%
Consumer Staples	9%	7%	12%
Industrials	3%	2%	2%
Financials	2%	3%	7%
Information Technology	-1%	-2%	0%
Real Estate	0%	0%	1%
TOTAL NET EXPOSURE	61%	53%	74%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

US low-cost gym operator **Planet Fitness** (+37%) and Danish jeweller **Pandora** (+36%) bounced on solid results. UK discount retailer **B&M European Value Retail** rose 32% from our first entry point during the quarter, as it reported continued market share gains and was further supported by a general rally in UK stocks, while **Raiffeisen Bank International** (+26%) continued its run of strong operating performance.

Vietnamese retailer **Mobile World Investment** (-33%) was the largest detractor from performance in response to weakening results as their Vietnamese factory worker customers suffer from lower earnings as a result of production cuts due to lower export orders. European low-cost gym operator **Basic-Fit** (-21%) continued its decline as it faced pressure from increased electricity prices, and Facebook-owner **Meta Platforms** (-11%) was weighed down by concerns about weakness in the advertising market.

Changes to the Portfolio

The final quarter of the year was productive from an idea generation standpoint, with a number of new holdings added to the Fund. These included positions in over-the-counter (OTC) pharmaceutical manufacturer **Haleon**, sportswear brand **Puma**, UK discount retailer **B&M** (mentioned above), and dating app leader **Match Group**.

Haleon is a recent listing, with the corporation being the result of the merger of the OTC/consumer businesses of GSK, Pfizer and Novartis. The company owns brands ranging from Panadol painkillers to Sensodyne toothpaste, which operate in attractive categories and generate strong profitability. We expect the company to deliver modest growth and strong cash flow, which will enable it to rapidly pay down its large debt load. Our expectation was for the stock to rerate upward as the market became more familiar with the story and the strength of its pricing-driven top line and as debt levels became less of a concern for investors. This seems to be playing out so far, with the stock rallying nicely from our initial purchase.

Both Puma and B&M were acquired at depressed levels as the market fretted about near-term headwinds. We see positive futures ahead for both of these solid and well-run businesses.

Tinder and Hinge owner Match Group's stock collapsed more than 75% from the heady valuation levels experienced by fast-growing technology stocks in 2021, as growth slowed and several product development initiatives failed. A new CEO is being sought for Tinder, but several initiatives from the refreshed Tinder "C-suite" of senior executives appear likely to reaccelerate growth and more than justify the current valuation.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Prosus NV	China	Consumer Disc	4.9%
Meta Platforms Inc	US	Comm Services	4.6%
Nien Made Enterprise Co Ltd	Taiwan	Consumer Disc	3.6%
JD.com Inc	China	Consumer Disc	3.4%
Lixil Group Corp	Japan	Industrials	3.1%
Planet Fitness Inc	US	Consumer Disc	3.1%
Fu Shou Yuan International	China	Consumer Disc	3.1%
Haleon PLC	US	Consumer Staples	3.0%
Basic-Fit NV	Netherlands	Consumer Disc	3.0%
Bayerische Motoren Werke	Germany	Consumer Disc	2.9%

As at 31 December 2022. See note 5, page 44.
Source: Platinum Investment Management Limited.

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

Outlook

We remain very cautious on the financial health of consumers in the US and Europe, as we expect these markets to enter painful recessions as a result of the dramatic tightening in monetary and fiscal conditions. Meanwhile, China appears poised for an economic rebound as it emerges from multiple years of tight financial conditions and pandemic-related restrictions. This could unleash a wave of spending that is far from being priced-in to Chinese consumer stocks.

As evidenced by the additions to the portfolio during the quarter, we continue to uncover attractive opportunities in areas suffering from temporary setbacks and depressed sentiment. So, while we maintain a relatively low net invested position, we are cautiously optimistic as to the outlook for the Fund.

Platinum International Health Care Fund

Dr Bianca Ogden
Portfolio Manager

Performance

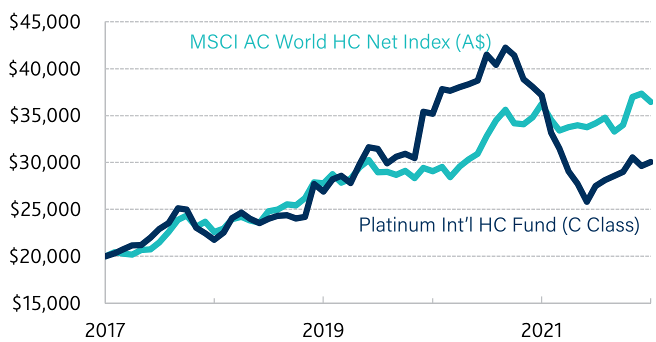
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	4%	-19%	4%	8%	9%
MSCI AC World HC Index^	7%	1%	10%	13%	10%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 10 November 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Health Care 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 2022



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 44.

The Fund (C Class) returned 3.6% for the quarter.[1]

The sentiment towards biotechs has changed ever so slightly in recent months: successful progress is rewarded, while failure results in sell-offs. Previously, positive news saw very muted and even declines in share prices. Many investors continue to hide out in managed care and pharmaceutical stocks, with Eli Lilly being the consensus-favourite stock, despite its high valuation and increasing competition in the obesity treatment space. Within healthcare, biotech and emerging life science tool companies remain the most interesting sector, given the outstanding innovation potential and valuations.

Contrary to public opinion, the funding environment for these companies is healthy, and equity financings are being completed quickly, particularly when clinical data is successful. **Prometheus Biosciences** (+86% over the quarter), a holding in the Fund since its initial public offering (IPO) in March 2021, was able to raise US$500 million following solid phase 2 data for its anti-TL1A antibody for inflammatory bowel diseases (IBD).

Licensing deals continue unabated, with several of our holdings receiving non-dilutive cash from partners along with a share price uplift. Jazz Pharmaceuticals took out its option to develop **Zymeworks**' zanidatamab (Her2 antibody for the treatment of metastatic breast cancer), paying US$325 million to Zymeworks (a holding in the Fund, +28%). GSK entered a significant collaboration with Fund holding **Wave Life Sciences** (+94%) to develop oligonucleotides to treat rare diseases. Wave will receive US$170 million (US$120 million in cash and US$50 million in equity). **Sanofi** expanded its partnership with French natural killer (NK) cell biotech **Innate Pharma**, giving them €25 million. Both companies are held in the Fund and rose 15% and 56%, respectively, over the quarter.

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Health Care Fund 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.

There is a lot of money sitting on the sidelines. Sanofi and Johnson & Johnson (JNJ) both took a closer look at Horizon Therapeutics, with Amgen acquiring the company in the end for almost US$28 billion, while Sanofi and JNJ stayed disciplined and decided against a purchase. **Takeda Pharmaceutical** (+9%) paid US$4 billion for Nimbus' Tyk-2 inhibitor (for inflammatory diseases) during the quarter - a pretty steep cash payment. It was obviously a very competitive bidding process. In drug development, the key is to ensure there are no side effects, which is what Nimbus has been focusing on. Many investors were hoping for Takeda to do "a deal", and this one has been well-received.

Inflammatory diseases are a very broad and important disease area. **Immunovant**, another of our holdings in this space, had very strong performance over the quarter (+218%), as investors started to realise the potential of its anti-FcRn assets for the treatment of auto-immune diseases.[2] We first invested in Immunovant when it was trading at valuations that were close to its cash balance. **Roivant Sciences**, the parent company of Immunovant and a holding in the Fund, also performed well (+148%), as one of its other "vant" subsidiaries, Dermavant, launched a new topical psoriasis cream. Also, during the quarter, Sumitomo Pharma raised the bid for **Myovant Sciences**, a company it has had a significant interest in since 2019. We have trimmed our position in Immunovant given its performance, and we exited Myovant (+49% over the quarter to exit point).

Vaccine biotech **Icosavax** (+151%) announced that its virus-like particle (VLP) vaccine against RSV exhibits solid durability in a phase 1/1b trial. We see great potential for Icosavax's VLP technology to develop combination vaccines in the future. Recently, Icosavax shares traded below the company's cash balance, and we have been adding to our position.

During the quarter, we also saw some disappointing returns with a couple of our biotechs, **Recursion** (-28%) and **Exscientia** (-35%), two companies that are using computer sciences to change drug discovery. Both companies continue to see their valuations decline, with Exscientia trading below its cash balance. Both companies are making progress, but the market is not currently assigning any value to their platforms. We believe this will change once clinical data becomes available.

2 Neonatal Fc Receptor (FcRn) is part of the humoral immunity system that recycles IgG antibodies. IgG is part of the anti-inflammatory system; however, in several auto-immune diseases, IgG antibodies start acting against self-antigens. Using FcRn inhibitors reduces the number of IgGs, and hence these inhibitors are a new class of therapies for auto-immune diseases.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
North America	44%	40%	44%
Europe	26%	25%	22%
Australia	14%	12%	12%
Japan	4%	4%	4%
Asia	4%	3%	8%
Other	1%	1%	1%
Cash	7%	15%	10%
Shorts	-5%	-5%	-4%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Biotechnology	53%	50%	56%
Pharmaceuticals	27%	23%	23%
Life Sciences Tools & Services	7%	6%	7%
Other	1%	1%	0%
TOTAL NET EXPOSURE	88%	80%	86%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
SpeeDx Pty Ltd	Australia	Biotechnology	7.3%
Takeda Pharmaceutical	Japan	Pharmaceuticals	4.2%
Telix Pharmaceuticals Ltd	Australia	Biotechnology	3.6%
Sanofi SA	France	Pharmaceuticals	3.5%
Prometheus Biosciences	US	Pharmaceuticals	3.0%
Bayer AG	Germany	Pharmaceuticals	3.0%
Gilead Sciences Inc	US	Biotechnology	3.0%
Exscientia Plc	UK	Biotechnology	2.6%
Quanterix Corp	US	Life Science Tools	2.6%
Immunovant Inc	US	Biotechnology	2.4%

As at 31 December 2022. See note 5, page 44.
Source: Platinum Investment Management Limited.

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

We added **BioNTech** and **Moderna** back to the portfolio during the quarter as we are seeing progress in cancer vaccines as well as a very disciplined approach by both companies to their cash piles. Our investment case when we first invested in both companies in 2018 and 2019 was very much focused on cancer vaccines.

Commentary

During the quarter, Prometheus Biosciences announced solid phase 2 data for its anti-TL1A antibody[3] in ulcerative colitis (UC) and Crohn's disease (CD) patients. In addition, Prometheus also showed that its proprietary genetic marker algorithm increases the likelihood of responders, something payers will see as an advantage. These results essentially show that Prometheus has a very competitive drug. The company subsequently raised US$500 million, double the amount it initially set out to raise. It was a highlight for us this quarter.

As mentioned above, Prometheus has been a holding in the Fund since its IPO in March 2021. With a market capitalisation of over US$5 billion today, the investment proposition is different from what it was in March 2021, but so is the maturity of clinical data. We have been interested in gastric diseases for some time, and through our current investments in Takeda and Galapagos and previous investments in JNJ and Morphosys, we have become well aware of the limitations of current IBD therapies. Current therapies hit a certain level of response and remission rates but are far from curative. We also know that pharma and large biotechs are interested in this space, paying significant money for differentiated assets (such as the recent Takeda/ Nimbus deal). Different mechanisms are required, and it would be ideal to have a test that could predict who is likely to respond. Prometheus meets that profile.

The company traces its origins back two decades ago, when one of its founders at the Cedars-Sinai Medical Center started a biobank collecting patient samples from IBD patients. Over the years, this biobank has matured and is now at the core of Prometheus' R&D engine. This means Prometheus is not just a one-asset company; there is more beyond its anti-TL1A antibody.

TL1A was identified through the database, but it is clinically less validated, and at the time of the IPO, only Pfizer and Teva were pursuing it. Prometheus' antibody exhibits features that could make it superior to the Pfizer and Teva drug; recently, Pfizer and Roivant formed a new "vant" around Pfizer's TL1A antibody. This is an interesting move by Pfizer and something we are watching carefully.

3 Tumor necrosis factor-like cytokine 1A is a protein that sits in the membrane of a variety of cells.

The team in charge of Prometheus continues to tick many boxes, with the right combination of science, clinical development and commercial acumen. CEO Mark McKenna is not your typical scientific executive; McKenna has strong experience managing commercial companies, particularly in the gastric field, having turned around Salix Pharma (a division of Bausch Health). His commercial and operational focus makes this company different from many other biotechs. The board, until his passing, was led by Tachi Yamada, who has been a visionary, particularly at Takeda when he ran R&D and saw the potential in Entyvio, the leading UC and CD treatment today. Prometheus now has to repeat the data in larger clinical trials. We have trimmed our position slightly following strong share price performance, but continue to stay the course, particularly given the company has started to expand its pipeline.

Outlook

As is the custom every year, in early January, healthcare companies and investors gather in San Francisco to kick off the new year. This year, 2023 guidance will be watched carefully, and business development teams will be busy. The coming year is very important for healthcare, given that we could see the approval of further gene therapy products to treat haemophilia A and Duchenne muscular dystrophy, as well as the launch of beta-amyloid antibody lecanemab, an antibody medication that slows the cognitive decline in Alzheimer's disease. It will be crunch time for many smaller companies. Expectations are for a more volatile first half of the year, while the latter part of the year should see further consolidation of this industry.

Platinum International Technology Fund

Alex Barbi
Portfolio Manager

Jimmy Su
Portfolio Manager*

Performance

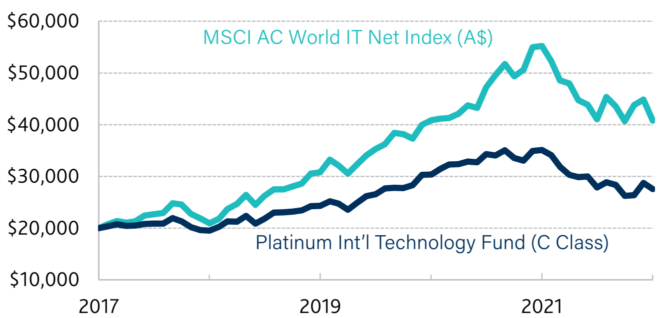
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund*	5%	-22%	4%	7%	9%
MSCI AC World IT Index^	0%	-26%	10%	15%	3%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 18 May 2000.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World IT 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 44. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2017 to 31 December 2022



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 44.

The Fund (C Class) returned 5.0% for the quarter.[1]

During the quarter, the US Federal Reserve (Fed) raised the Fed Funds rate twice for a cumulative lift of 125 basis points to a level of 4.5%, as Chairman Powell continued to stress the importance of preventing inflation from becoming entrenched in the economy. As previously mentioned, the Fed considers its current course of action necessary to restore price stability, and its renewed determination may eventually tilt the US economy into a recession. Many investors have started speculating that such an aggressive monetary policy in a relatively short period of time has already impacted consumer and business confidence, and the Fed will need to reverse course sooner than planned. Time will tell. In the meantime, investors have continued to try and second-guess the Fed's next move, by interpreting each economic data release (consumer price indices, jobless claims, hourly earnings, etc.) in the hope of the long-awaited "pivot" on the direction of interest rates. Realistically, though, it's a futile exercise as long as inflation shows no clear signs of permanently returning to more acceptable levels, as Mr Powell explained last quarter. Until then, as the old saying goes, don't fight the Fed!

In this context, technology stocks in aggregate finished the quarter largely flat, with investors re-assessing valuations and revising down growth prospects in light of the austere monetary policies implemented by the Fed and other major central banks. The Nasdaq-100 Technology Sector Index returned 0.5% for the quarter. The narrower PHLX Semiconductor Sector Index returned 10%, suggesting that investors are perhaps trying to look through the negative news flow and positioning for a 2023 recovery.

Once again, high-growth/unprofitable technology companies won the wooden spoon for performance: the ARK Innovation ETF fell 17% during the quarter and returned a cumulative -67% for the year.

1 References to fund returns and performance contributions (excluding individual stock returns) in this Platinum International Technology Fund report are in AUD terms. Individual stock and index returns (excluding the MSCI AC World IT Index) are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

*Effective from 31 October 2022, Jimmy Su joined Alex Barbi as co-portfolio manager for the Fund. Jimmy joined Platinum in 2017 as an investment analyst in the consumer team. In April 2021, he moved to the technology and communications team.

The Fund's positive performance for the quarter can be attributed to a recovery in Chinese internet stocks, as well as strong performance from our European holdings and US hardware and semiconductor names. Our selective short-selling of hyper-valued/high-growth stocks also added to performance. The Australian dollar's strength against the US dollar detracted from the Fund's performance as it held a 26% net exposure to US names.

Among the Fund's strong performers were our Chinese internet names (**Alibaba** +10%, **Tencent** +25%, **JD.com** +12%), reversing the previous quarter's decline, as investors started anticipating a loosening of the draconian COVID-19 restrictions, as we expected. In Europe, **Infineon Technologies**, the market leader in power semiconductors, also recovered (+25%) after providing better-than-expected guidance for next year, reinforcing our investment thesis.

Among our US names, the best performers were telecom equipment manufacturer **Ciena** (+26%), software leader **Oracle** (+34%), travel portal **Booking.com** (+23%) and semiconductors **Analog Devices** (+18%) and **Applied Materials** (+19%).

On the negative side of the ledger, companies exposed to digital advertising suffered as investors discounted an economic slowdown impacting negatively on advertising budgets. Among negative performers were **Meta Platforms** (-11%) and **Alphabet** (-8%) in the US and **GA Technologies** (-21%) in Japan. For similar reasons, fears of a deceleration in global e-commerce transactions caused **PayPal** to decline over the quarter (-17%).

At the end of the quarter, the Fund was 75% net invested, with 11% in cash and 14% in shorts.

Changes to the Portfolio

During the quarter, we added to our position in France-based semiconductor substrate manufacturer **Soitec**. We believe the company is strategically positioned to benefit from the adoption of 5G wireless technology and electric vehicles.

We also initiated a new position in **Match Group**, the largest player in the online dating industry, comprising 45 brands, including Tinder and Hinge. After a 70% decline in its share price over the year, we believe it is now attractively valued and well-positioned in a secularly growing industry.

We also reviewed the investment case for **Netflix** after the sharp decline in the stock earlier in the year. We initiated a new position during the quarter, as we believe the introduction of a cheaper ad-supported subscription package will widen the platform's appeal to a broader audience and restore growth in the medium term.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
North America	43%	44%	46%
Asia	29%	30%	24%
Europe	12%	11%	9%
Japan	6%	7%	5%
Cash	11%	8%	15%
Shorts	-14%	-11%	-3%

See note 3, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Information Technology	57%	58%	52%
Consumer Discretionary	11%	12%	7%
Communication Services	11%	12%	19%
Industrials	3%	4%	5%
Financials	2%	2%	0%
Other	-8%	-7%	-1%
TOTAL NET EXPOSURE	75%	81%	81%

See note 4, page 44. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Ciena Corp	US	Info Technology	5.2%
Samsung Electronics Co	South Korea	Info Technology	4.8%
Microchip Technology Inc	US	Info Technology	4.1%
SK Hynix Inc	South Korea	Info Technology	4.1%
Taiwan Semiconductor	Taiwan	Info Technology	4.1%
Infineon Technologies AG	Germany	Info Technology	3.9%
JD.com Inc	China	Consumer Disc	3.9%
Analog Devices Inc	US	Info Technology	3.5%
Micron Technology Inc	US	Info Technology	3.4%
Tencent Holdings Ltd	China	Comm Services	3.3%

As at 31 December 2022. See note 5, page 44.
Source: Platinum Investment Management Limited.

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

We sold out of **Nintendo** as our initial thesis had played out and the stock reached our valuation target. We also exited our positions in Nordic media and advertising groups **Schibsted** and **Adevinta**, as an economic slowdown in Europe negatively impacts advertising spend.

Commentary

The quarter saw an escalation in US-China trade tensions. The US Department of Commerce (DoC) introduced sweeping new export controls requiring companies to receive a license to export US-made advanced computing and semiconductor products to China. According to a release issued by the Bureau of Industry and Security,[2] the purpose of the export controls is to "protect US national security and foreign policy interests" and "restrict the People's Republic of China's (PRC's) ability to both purchase and manufacture certain high-end chips used in military applications". The export controls will affect both US companies and companies from a third-party country that sells US-made items to China. Moreover, it also "restricts the ability of US persons to support the development, or production, of ICs [integrated circuits] at certain PRC-located semiconductor fabrication "facilities" without a license".

In addition, several Chinese technology companies were added to the so-called Entity List, which prevents US companies from selling any product or service to them, unless the vendors receive specific approval from the US DoC. US persons are also prohibited from working for those companies on the Entity List. They will need a license to "assist the development or production of ICs meeting certain parameters," which is unlikely to be granted.

The most significant name on the list was Yangtze Memory Technologies (YMTC), the national champion NAND flash memory manufacturer, with a 5% global market share.[3] The ban effectively kneecapped YMTC, which will soon be unable to produce competitive chips without access to the latest equipment available only from Western suppliers. The vacuum left by YMTC most likely will be filled by Samsung Electronics, the industry leader, and a holding in the Fund.

It is difficult to estimate the impact of these restrictions on our semiconductor equipment holdings since a particular system is not necessarily specific to a process technology node. However, depending on the company, we estimate that the negative revenue impact could be between 3% (ASML) and 10% (Lam Research). In the very long term, of course, if high-end semiconductor manufacturing capacity is needed, it will get built in other jurisdictions (US, Japan, Europe), eventually offsetting the Chinese demand shortfall.

What started as a trade war during the Trump administration, has now gradually evolved into what some observers have defined as a "Chip War".[4] Gregory Allen, from the Washington-based Center for Strategic and International Studies, has articulated the rationale of the Biden administration in "*Choking Off China's Access to the Future of AI*",[5] a good piece that was written soon after the introduction of the export bans. An extract from the paper provides a succinct summary: "In short, the Biden administration is trying to (1) strangle the Chinese AI industry by choking off access to high-end AI chips; (2) block China from designing AI chips domestically by choking off China's access to US-made chip design software; (3) block China from manufacturing advanced chips by choking off access to US-built semiconductor manufacturing equipment; and (4) block China from domestically producing semiconductor manufacturing equipment by choking off access to US-built components."

Outlook

As consensus grows among investors that 2023 will bring a recession in the US and Europe, a number of unknowns remain on the horizon, which makes it difficult to predict the year's course with certainty. We don't know when, or if the Ukraine war will end. We don't know how quickly inflation will return to normalised levels. We don't know if the economic slowdown, partly induced by tighter monetary policies, will be prolonged, or a shallow and rapid adjustment.

In China, we recently witnessed the authorities performing an abrupt about-face on its strict zero-COVID policies, with the population now able to move freely again. This will help economic activity rebound in China, even as the country will likely face multiple COVID waves as experienced in other countries. That will help global growth and those businesses that depend on China's demand, including our holdings exposed to e-commerce and advertising.

More broadly, we believe that the Fund, through the careful selection of long and short positions, remains positioned to benefit from the ongoing shift away from expensively valued unprofitable technology stocks while holding core positions in semiconductors, e-commerce, digital advertising, fintech and enterprise software names at very attractive valuations.

2 https://www.federalregister.gov/documents/2022/10/13/2022-21658/implementation-of-additional-export-controls-certain-advanced-computing-and-semiconductor

3 Source: citi.

4 For an extensive review and historical perspective on the topic, we suggest the recently published *Chip War: The Fight for the World's Most Critical Technology* by Chris Miller, Simon & Schuster.

5 https://www.csis.org/analysis/choking-chinas-access-future-ai

Glossary

Dividend yield

A ratio that indicates how much a company pays out in dividends each year relative to its share price.

Earnings yield

A company's earnings per share over a 12-month period divided by its share price and expressed as a percentage, the earnings yield is the reciprocal of the price-to-earnings (P/E) ratio and is a measure of the rate of return on an equity investment.

Earnings before interest and tax (EBIT)

A measure of a company's profitability, EBIT is all profits before deducting interest payments and income tax expenses. It is calculated as revenue minus cost of goods sold and operating expenses.

Price-to-book ratio (P/B)

The ratio of a company's current share price to its book value (total assets minus intangible assets and liabilities). It is an indicator of the value of a company by comparing its share price to the amount of the company's assets that each share is entitled to.

Price-to-earnings ratio (P/E)

The ratio of a company's current share price to its per-share earnings, P/E is used as an indicator of the value of a company by comparing its share price to the amount of per-share earnings the company generates. A high P/E ratio suggests that the company's share price is expensive relative to the company's profits, which usually implies that investors are expecting the company's future profits to grow quickly.

Return on equity (RoE)

RoE is a measure of a company's profitability and the efficiency with which it generates earnings from every unit of the funds that shareholders have invested in it. It is calculated as profit (or net income after taxes) divided by shareholders' equity.

Purchasing Managers' Index (PMI)

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.

Quantitative easing (QE)

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.

Shorting

Short-selling or "shorting" is a transaction aimed at generating a profit from a fall in the price of a particular security, index, commodity or other asset. To enter into a short sale, an investor sells securities that are borrowed from another. To close the position, the investor needs to buy back the same number of the same securities and return them to the lender. If the price of the securities has fallen at the time of the repurchase, the investor has made a profit. Conversely, if the price of the securities has risen at the time of the repurchase, the investor has incurred a loss.

Yield

Yield refers to the income generated from an investment (such as interest from cash deposits, dividends from a shareholding, or rent from property), usually expressed as an annual percentage rate based on the cost of the investment (known as cost yield) or its market price (known as current yield). For bonds, the yield is the same as the coupon rate (assuming the bond is purchased at par or is trading at par). Any increase or decrease of the yield relative to the coupon rate is approximately inversely proportional to any change in the bond price (yields fall as prices rise, and vice-versa).

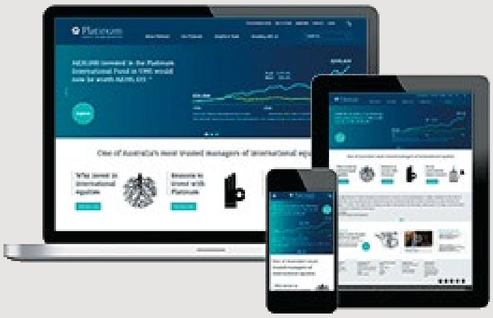
Yield curve

A yield curve plots the interest rates (or yields) of comparable debt instruments with different maturities. Starting on the left with the yields of shorter-term instruments, the curve typically slopes upwards to the right, reflecting investors' desire to be compensated for the uncertainty associated with locking their money away for longer periods of time. An inverted yield curve occurs when longer-term debt instruments have a lower yield than shorter-term debt instruments, reflecting expectations of weaker economic conditions – and hence lower interest rates – in the future.

The Journal

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** format.



Recent highlights include:

- **Video - Investing in a Bear Market.**[1] CEO and Co-CIO Andrew Clifford provides a timely reminder of Platinum's investment approach as well as his thoughts on markets, performance and portfolio positioning. Many sectors that were left behind in the bull market have extraordinary valuations, and there are many interesting investment thematics playing out.
- **Video - Staying the Course in China.**[2] Co-portfolio manager for our Asia ex-Japan strategy, Cameron Robertson, addresses investors' concerns on China, covering geopolitical concerns, the property sector and COVID lockdowns. China is a complex place to invest in, and Platinum has been investing there for decades. As bottom-up investors, we invest in companies, not countries. We look for mispriced risks, and we continue to see many great investment opportunities in China.
- **Video - The Zeitgeist is Changing in Japan.**[3] Corporate governance is gaining traction in Japan, much to the delight of shareholders. The country is also experiencing a massive step-up in investment in digital technology and manufacturing. Portfolio manager Jamie Halse talks through the various investment themes and why he believes Japanese equities are a very interesting investment opportunity, especially considering the ROE vs. valuations.
- **Video - Biotechs Preparing for the Next Chapter of Growth.**[4] Rising interest rates have raised concerns about the ability of biotechs to access capital. Contrary to popular perception, though, the sector is actually quite "healthy", says portfolio manager Dr Bianca Ogden. Dedicated health funds are stepping in to provide support, while biotechs are refocusing and streamlining their product range, and there has been a flurry of mergers and acquisitions – as the sector prepares for the next chapter of growth.
- **Article - Boom, Bust and Disruption in the Furniture Industry.**[5] During the pandemic, sales, margins and share prices of US furniture retailers exploded as consumers splurged on redecorating their homes. But times have changed, and it is impacting industry players differently. In this article, James Halse and Tom Tao explore the changing dynamics and discuss an innovative and profitable "disruptor" they find particularly interesting.
- **Article - Japan in the First Innings of a Digital Shift.**[6] Japan has been somewhat of a laggard when it comes to investing in IT, but that is changing. A recent trip to Japan by Jamie Halse and Leon Rapp confirmed the economy is in the first innings of a significant digital shift, with the benefits of improved productivity expected to flow through to better corporate performance and valuations.

1 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Investing-in-a-Bear-Market
2 https://www.platinum.com.au/Insights-Tools/The-Journal/Video-Staying-the-Course-in-China
3 https://www.platinum.com.au/Insights-Tools/The-Journal/The-Zeitgeist-is-Changing-in-Japan
4 https://www.platinum.com.au/Insights-Tools/The-Journal/Biotechs-Preparing-for-the-Next-Chapter-of-Growth
5 https://www.platinum.com.au/Insights-Tools/The-Journal/Boom-Bust-Disruption-in-the-Furniture-Industry
6 https://www.platinum.com.au/Insights-Tools/The-Journal/Japan-in-the-First-Innings-of-a-Digital-Shift

Australasia's Best Sporting Team (ABST) 2022: Crusaders

Platinum, in conjunction with GAIN LINE Analytics, created Australasia's Best Sporting Team (ABST) in 2018 to recognise the best team in Australia and New Zealand, and support good causes via a grant to the charity of the winner's choice.

Douglas Isles, Platinum's Head of Investment and co-architect of this initiative, presented 2022's award to the Crusaders at Rugby Park, Christchurch in December.

ABST celebrates long-term excellence in team sports; a hidden success factor for teams is the purity of shared experience, or "cohesion". Well-built teams win more often, in sport and business.

The Crusaders won the inaugural award based on a 25-year study. Since 2019, annual awards reflect performance over rolling five-year periods; Melbourne Storm (rugby league) won the first two; Sydney FC (soccer) won in 2021.

After analysing over 9500 individual matches, the Crusaders stood out, having won the last four Super Rugby titles (2017-2019, 2022) and both Super Rugby Aotearoa competitions in COVID-ravaged 2020 and 2021.

Runners-up were current A-League Mens' Premiers, Melbourne City. 2022 AFL Premiers, Geelong Cats, came third, followed by back-to-back NRL winners, Penrith Panthers. Fifth overall and the top female team were current AFLW champions Melbourne Demons, nudging out A-League Women's Premiers Sydney FC, last year's leading female team.

The rise of women's sports has been a key feature of ABST. This year's top 25 contains ten female teams, including three AFLW teams and debuts for Super W (rugby union, Waratahs) and NRLW (Brisbane Broncos). Sydney FC (soccer) and Brisbane Lions (AFL) have male and female teams in the Top 25.

Colin Mansbridge, Crusaders' CEO, said, "While this award has identified that we are leading in our sport, we are equally proud of the role we play off the field in our community. We're so grateful for this recognition and proud of the fact that we can take the A$10,000 donation and put it towards our upcoming 'Crusade with Heart' initiative raising money for The Child Cancer Foundation."

From left to right: Simon Strachan (GAIN LINE Analytics), Aaron Webb (Crusaders Academy Manager), Grant Jarrold (Crusaders Chairman), Daniel Falcone (Child Cancer Foundation), Douglas Isles (Platinum), Colin Mansbridge (Crusaders CEO). Source: Crusaders.

Some Light Relief

"Did you say 'buy-buy' or 'bye-bye'?"

"I just checked my portfolio and it's worth a small fortune. Unfortunately, I started with a large fortune."

Some Light Relief

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 by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns over the specified period. Fund 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. Where applicable, the gross MSCI index was used prior to 31/12/98. 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, the Fund's 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 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 the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund'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. Country classifications for securities reflect Bloomberg's "country of risk" designations. "Shorts" show the Fund'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 long derivative transactions.
4. The table shows the Fund'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".

   The Platinum Global Fund (Long Only) does not undertake any short-selling of stocks or indices. As a result, its net sector exposures through its securities positions and securities/index derivatives positions are its sector exposures through its long securities and long securities/index derivatives positions.
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

About us

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Platinum Asset Management is a Sydney-based manager specialising in international equities. The investment team uses a thematic stock-picking approach that concentrates on identifying out-of-favour stocks with the objective of achieving superior returns for our clients. We pay no heed to recognised indices. We aim to protect against loss and will hedge stocks, indices and currencies in our endeavours to do so.

The firm was founded in February 1994 by a group of professionals who had built an enviable reputation. The investment team has grown steadily and Platinum now manages around A$18 billion. Platinum's ultimate holding company, Platinum Asset Management Limited (ASX code: PTM), listed on the ASX in May 2007.

Since inception, the Platinum International Fund has achieved superior returns to those of the MSCI AC World Net Index (A$)* and considerably more than interest rates on cash.

* Please refer to page 2.

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