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2018 Investor Roadshow

Sydney, 21 March 2018

Platinum Investment Management Limited ABN 25 063 565 006

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2018 Investor Roadshow

Liz Norman

Platinum Investment Management Limited ABN 25 063 565 006

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China: A Land of Opportunity

Dr. Joseph Lai

Chengdu: 1,700km inland from Shanghai

 Source: www.google.com.au/maps

Chengdu tourist attractions

Source: YouTube, http://www.gochengdu.cn/mobile/en/picasso-dali-the-legendary-collectio-a5317.html?v=2

China’s ghost cities

60 Minutes, Nine Network, 28 June 2013

 Source: YouTube

China’s ongoing urbanisation

20 million people…

…every year

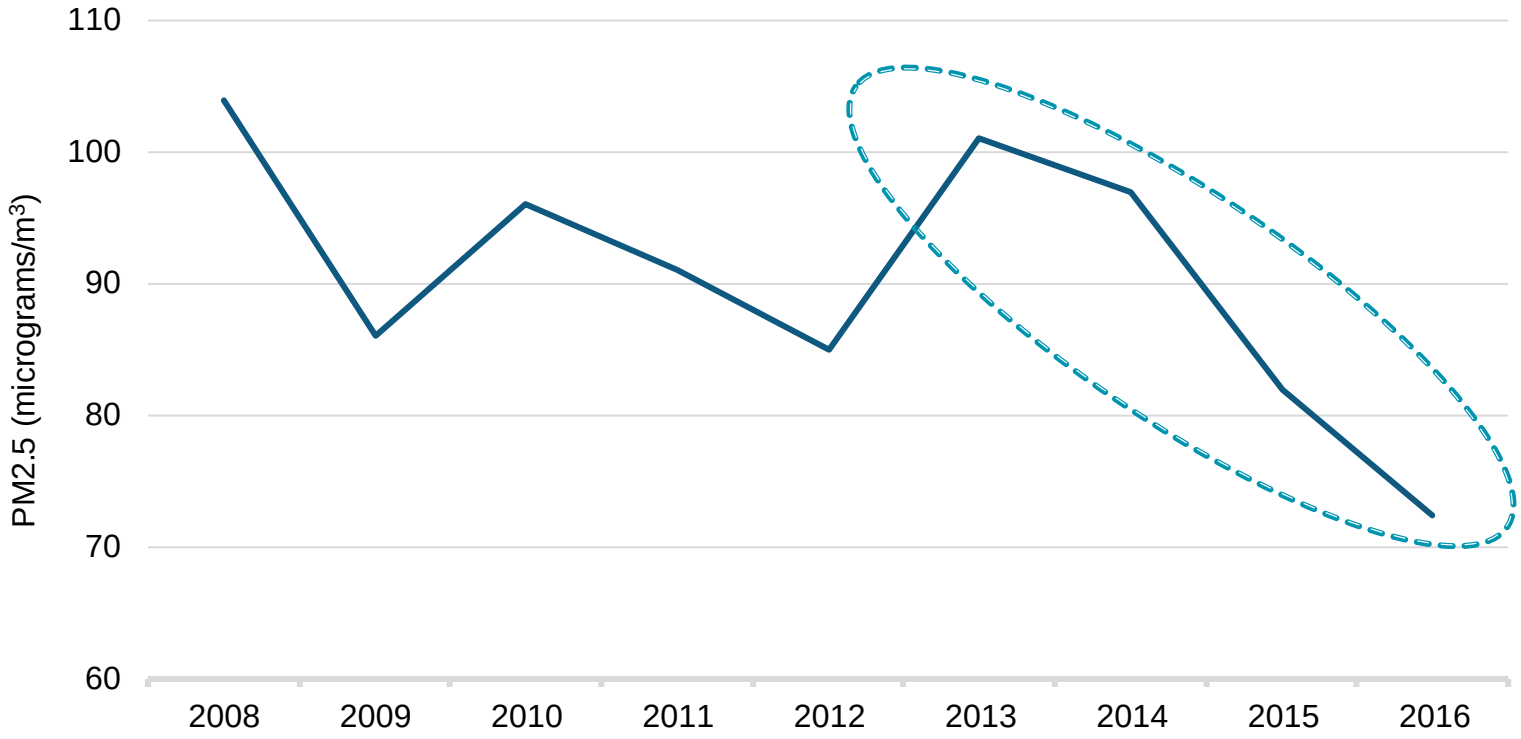
Source: Xinhua, xinhuanet.com, news.cn
Northern city of Xi-an, population 8 million

Traffic jams

Source: http://www.zeetraffic.com/news/china-traffic.html

“Bring back the blue skies”

Beijing yearly average PM2.5 concentration (micrograms/m^3) from US Embassy monitor



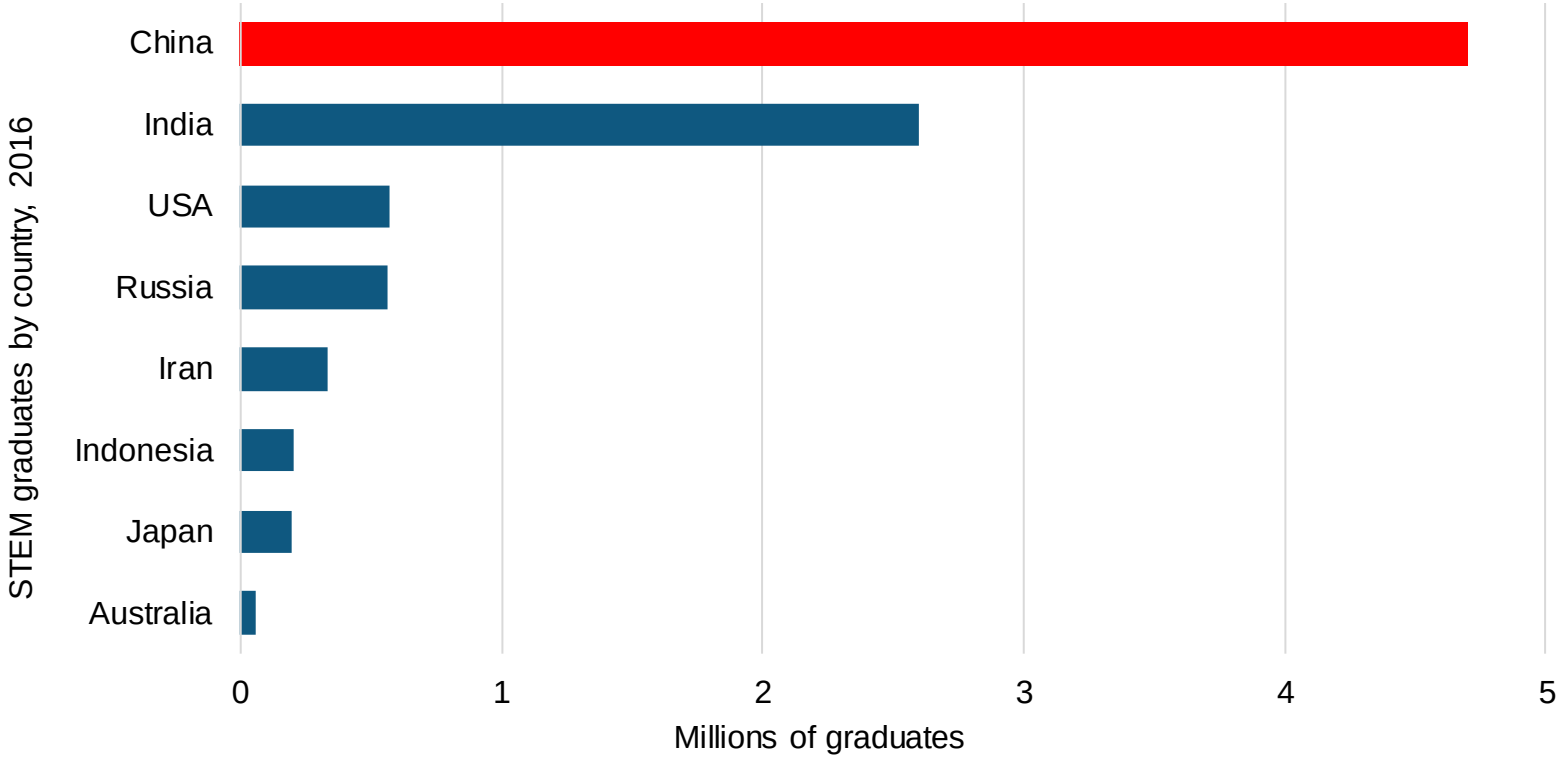
Source: http://www.stateair.net/web/historical/1/1.html

Progress

- Ghost cities → people have moved in
- Loss-making excess capacity → has been shut down
- The environment → is getting cleaned up

Over four million!

Over four million STEM (science, technology engineering and maths) students graduate from university in China every year



Source: https://www.forbes.com/sites/niallmccarthy/2017/02/02/the-countries-with-the-most-stem-graduates-infographic/#5bdc6f8a268a

Hon Hai Precision Industry

Company	
Market Cap. ($US)	51bn

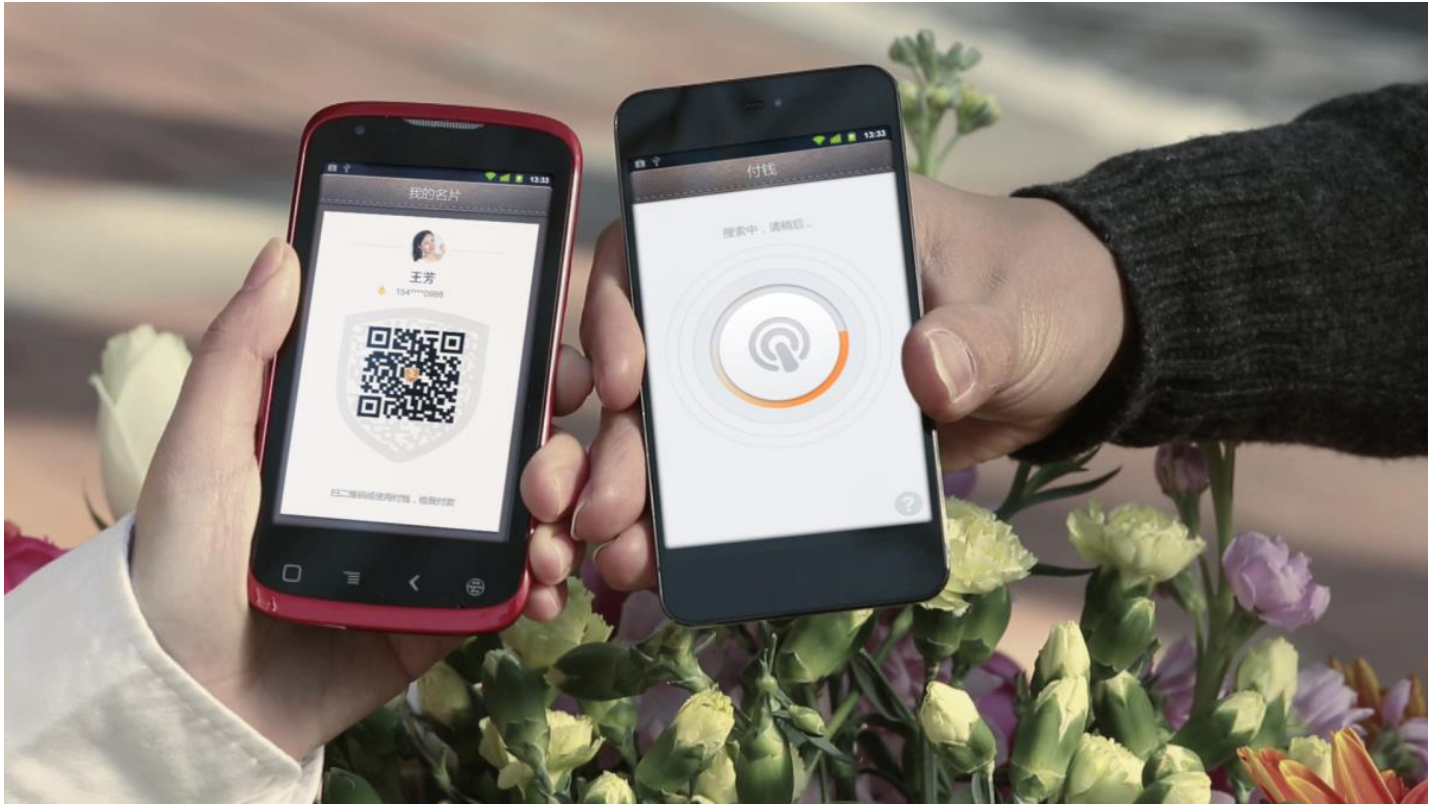
Source: FactSet Research Systems, as at 6/03/2018, Apple Inc., valuewalk.com

Tencent and Alibaba Market Cap

Company	Alibaba Group 阿里巴巴集团	腾讯 Tencent
Market Cap. ($US)	494bn	551bn

Source: FactSet Research Systems, as at 27/02/2018

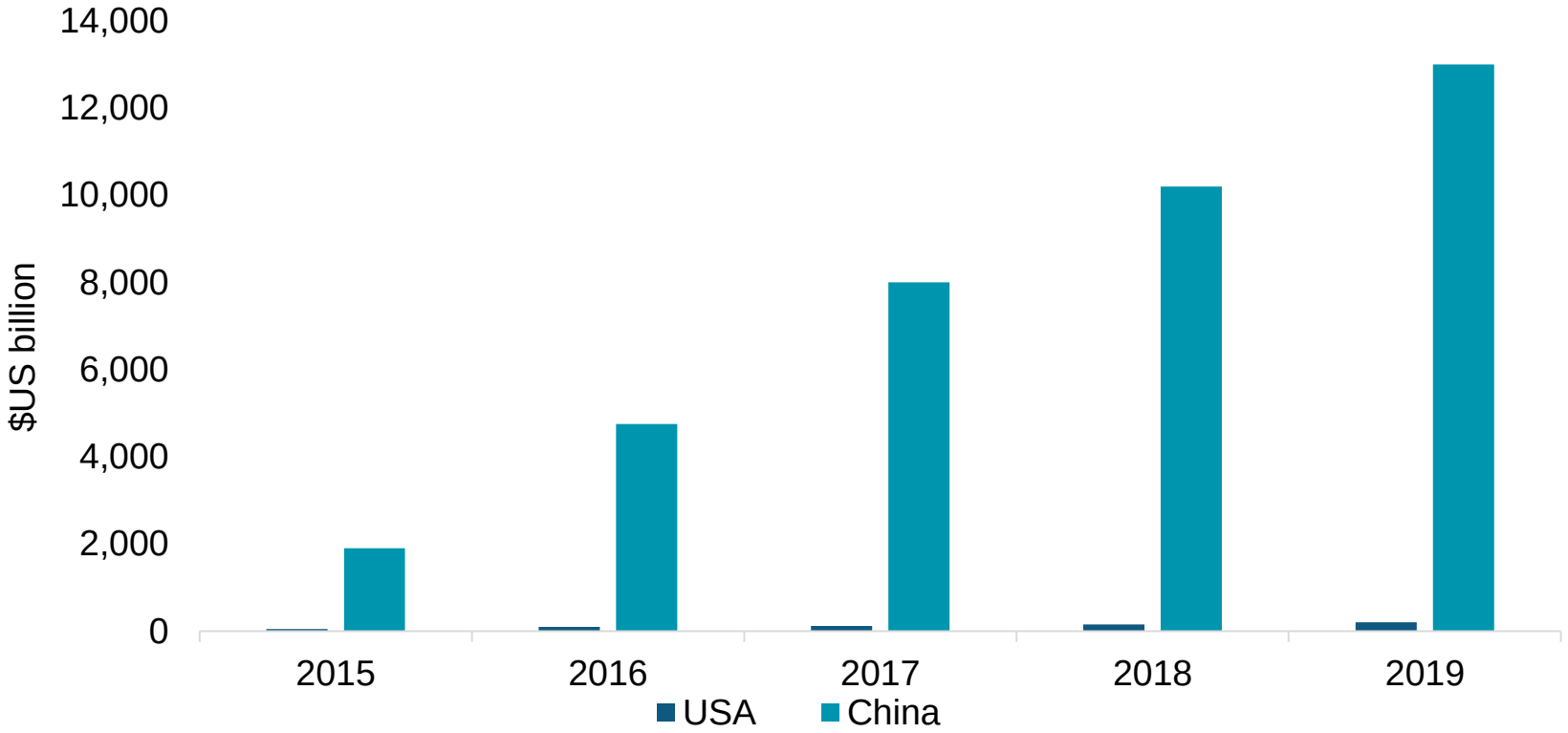
Mobile Payments



 Source: https://tva3.sinaimg.cn/crop.0.67.1882.1057/90eb2137ly1fkeegyml3oj21ga0v9kjl.jpg

China’s mobile payments dwarf the USA

Transaction value of third party payments



Source: https://www.ft.com/content/b7866e7c-eb8e-11e7-bd17-521324c81e23

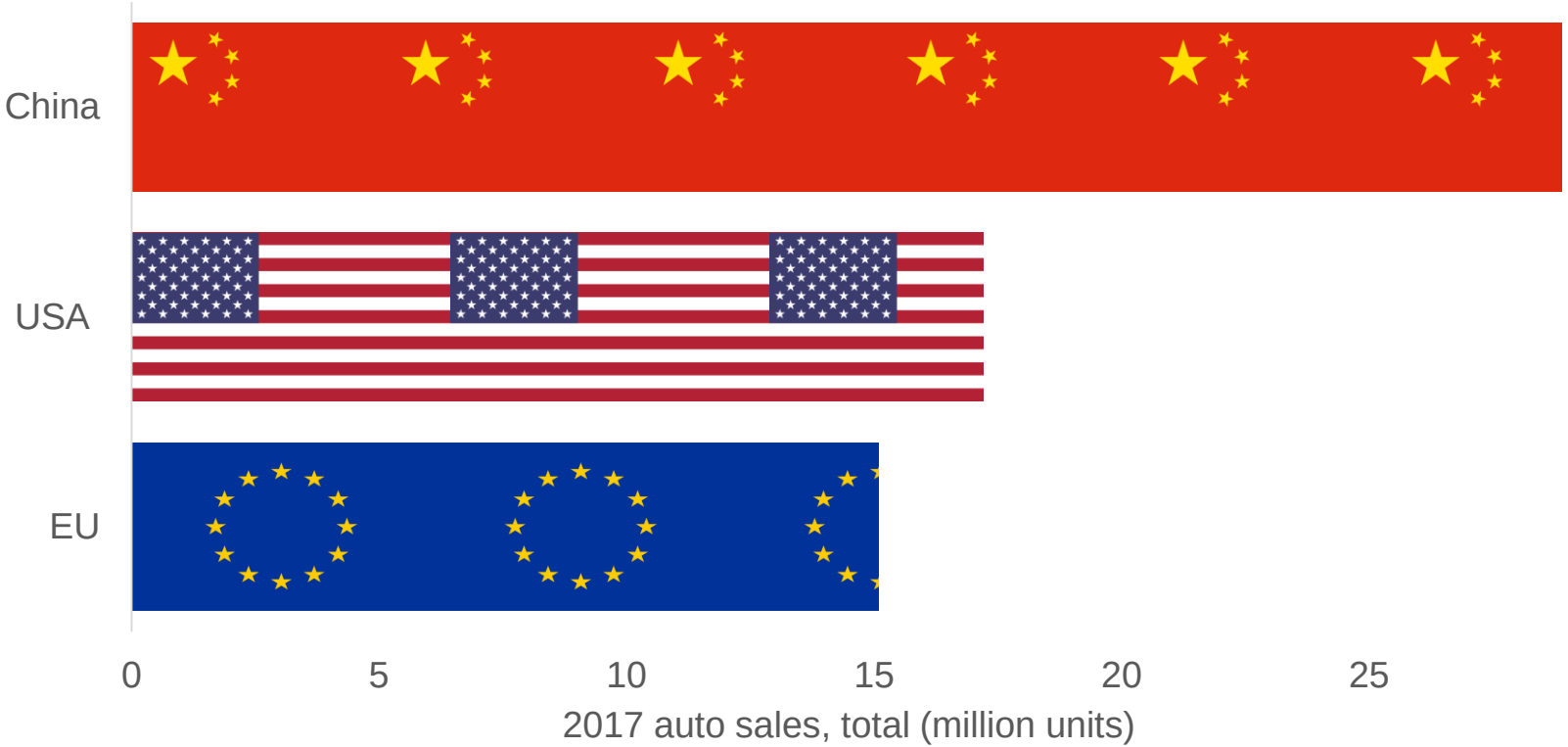
Where do we see the opportunities?

Chinese Consumers

- Electric vehicles
- Clean energy theme
- Health care
- Insurance

Source: Platinum Investment Management Limited.

Automobile sales



Source: FactSet Research Systems, European Automobile Manufacturers Association
Note: New vehicle registrations in the case of the EU; data is for EU 28, excluding Malta.

3SBio: you may be familiar with their Enbrel product

三生制药
3SBIO INC.

Enbrel®
etanercept

Source: http://www.3sbio.com/images/img/3S-inc_logo.png, https://www.enbrel.com/support/enbrel-support-program , http://drugtopics.modernmedicine.com/drug-topics/content/latebreakers

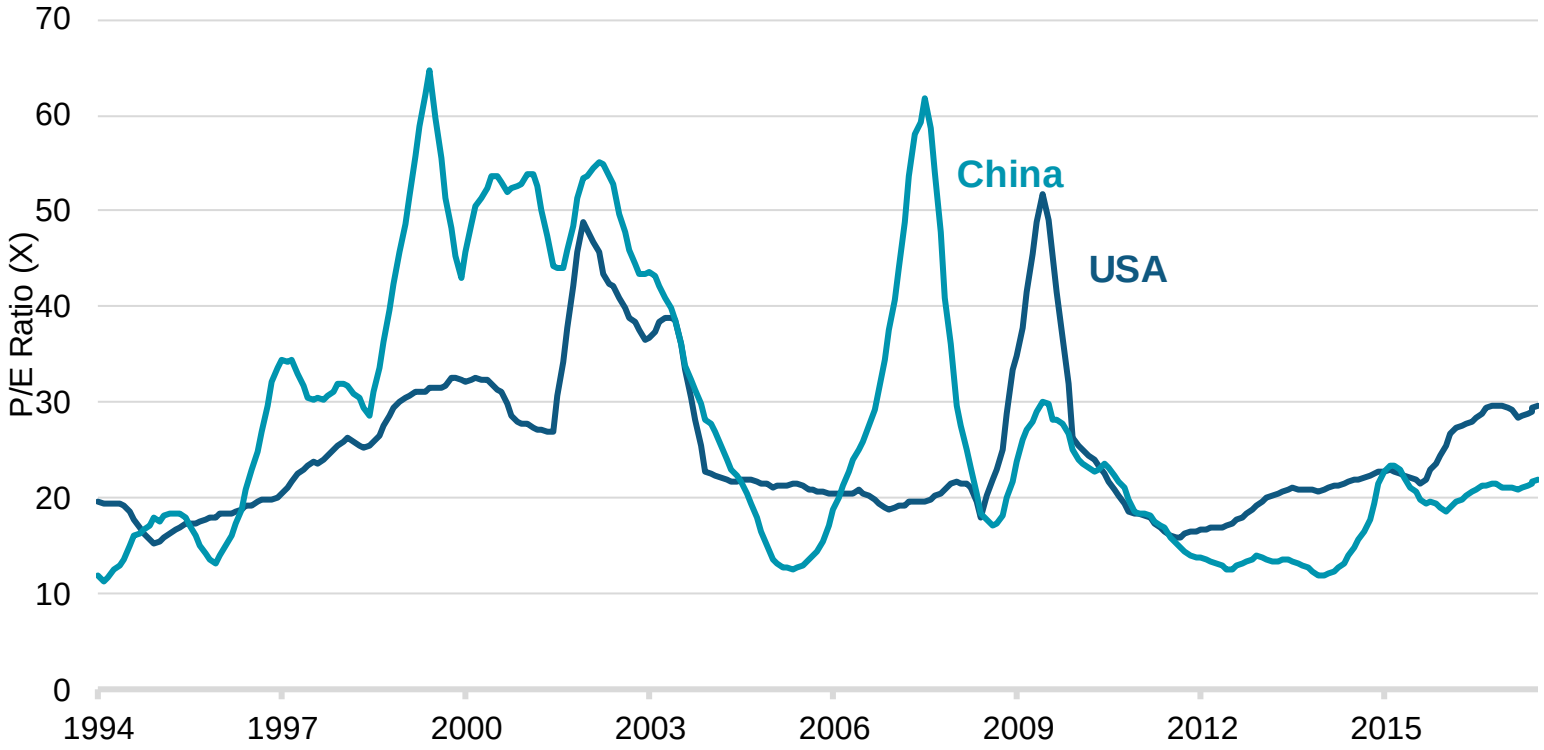
Ping An Insurance vs QBE Insurance

Company	中国平安 PING AN	QBE
Market Cap. ($US)	202bn	11bn
Dec 2019 Price / Earnings Ratio	14.6x	16.2x

Source: FactSet Research Systems, data as at 27/02/2018

China does not always trade at a discount to the USA

Price/Earnings ratio for USA and China



Source: Platinum Investment Management Limited. Price/Earnings ratio shown is a rolling 6-month average.

Amazing investment opportunities in China

Source: www.chinainternetwatch.com/tag/alibaba/, analyse.asia/2017/12/22/episode-225-tencents-gaming-empire-honor-kings-matthew-brennan/tencent-png-142104-tencent-logo-e3935c-original-1411118339-252/, https://chinaexpathealth.com/insurers/ping-an/, https://www.thedrinksbusiness.com/2018/01/chinas-yanghe-buys-stake-in-chiles-vina-san-pedro/, https://commons.wikimedia.org/wiki/File:China_Overseas_logo.svg, http://logonoid.com/china-merchants-bank-logo/, http://www.ekanuri.com/we-served-better/our-clients/

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Investments in the Auto Industry

Clay Smolinski

Content

- Widespread adoption of Electric Vehicles
- Real world implications
- Investments we have made

Source: image - https://static.businessinsider.com/image/542bf5d96bb3f7724f8eceb0/image.jpg

Driving experience: incredible

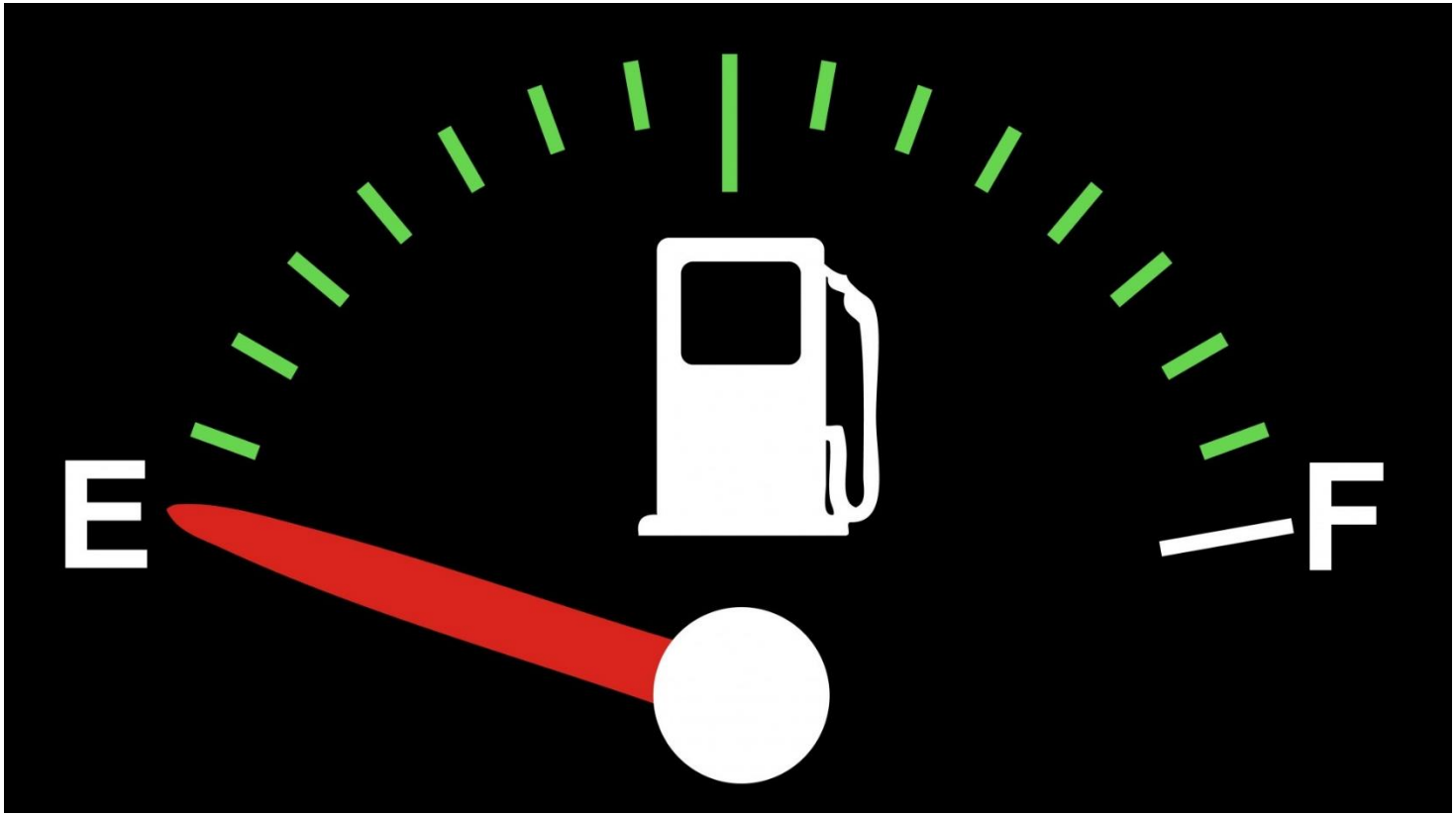
Source: express.co.uk

Electric vehicles: why would you want one?

	Electric Vehicle relative to an Internal Combustion engine
Driving Experience	Incredible!
Fuel Cost (per 100km)	~80% lower
Maintenance Cost	~60% lower
CO_2 emissions	20-80% lower

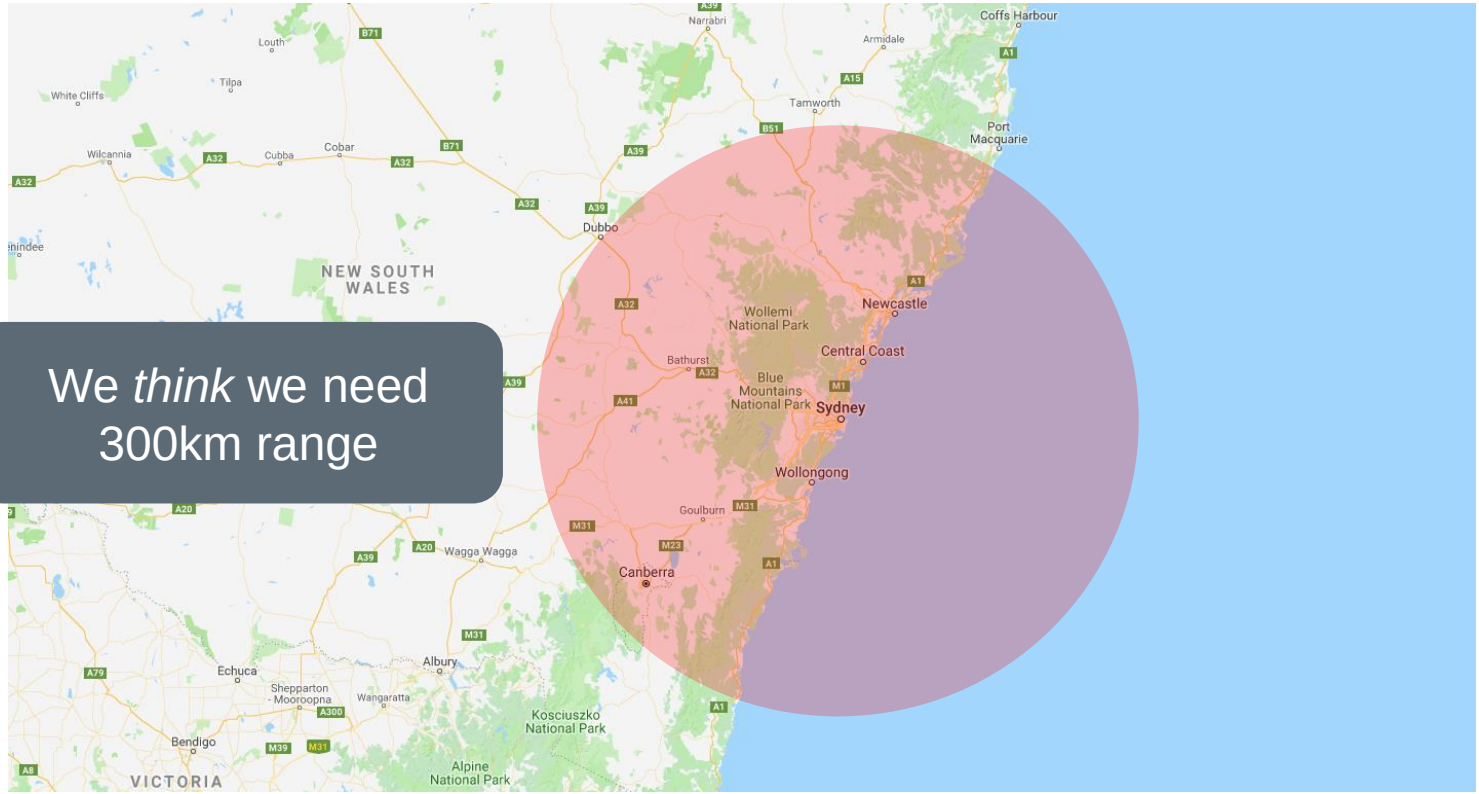
Source: Platinum Investment management limited, UBS, European WLTP, US Department of Energy

Biggest concern: range anxiety!



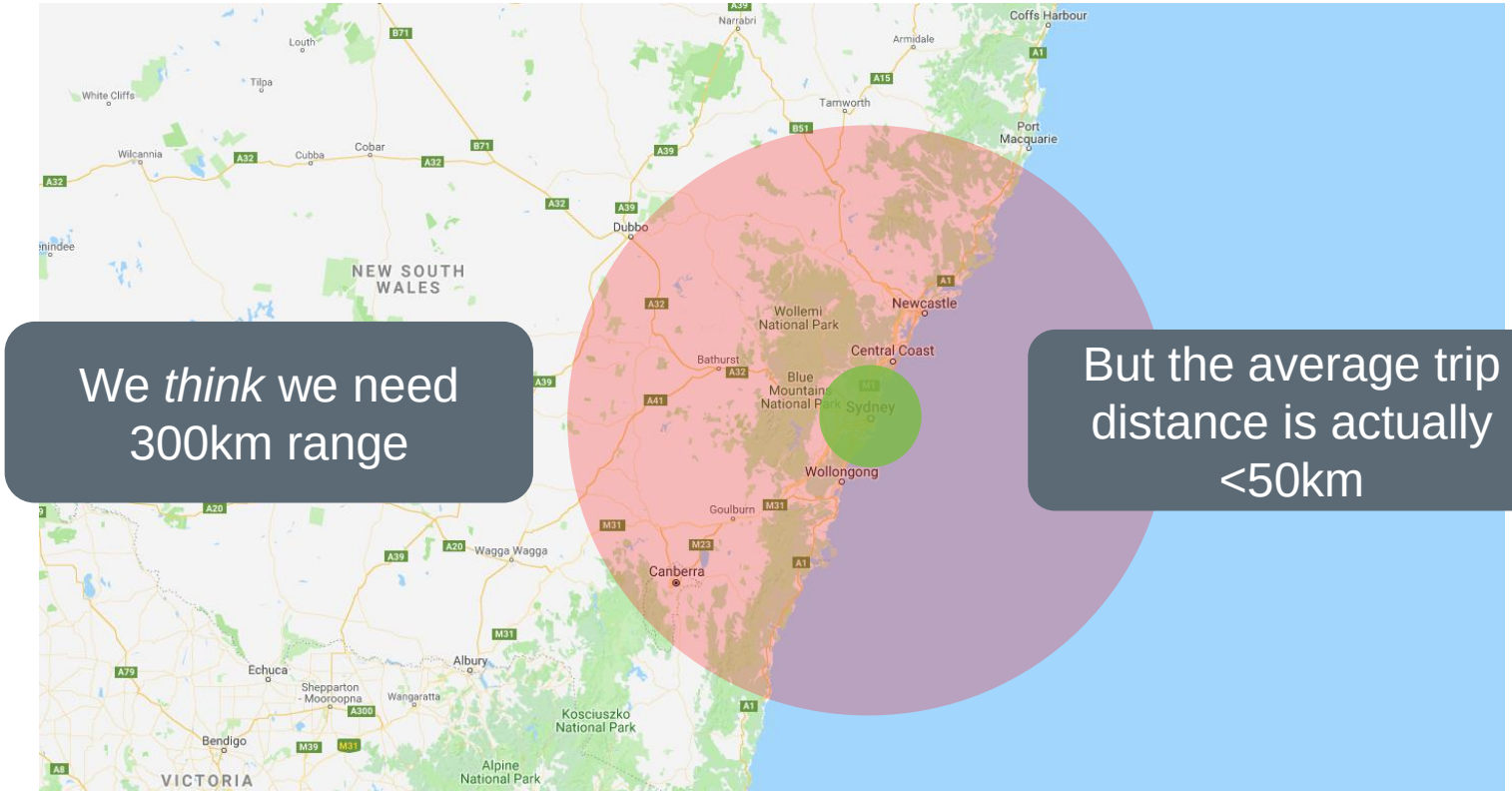
Source: http://www.publicdomainpictures.net/pictures/50000/velka/fuel-gauge.jpg

Range: how much do we really need?



 Source: http://obeattie.github.io/gmaps-radius

Range: how much do we really need?



 Source: http://obeattie.github.io/gmaps-radius

Comparing Volkswagen Golf models (USA)

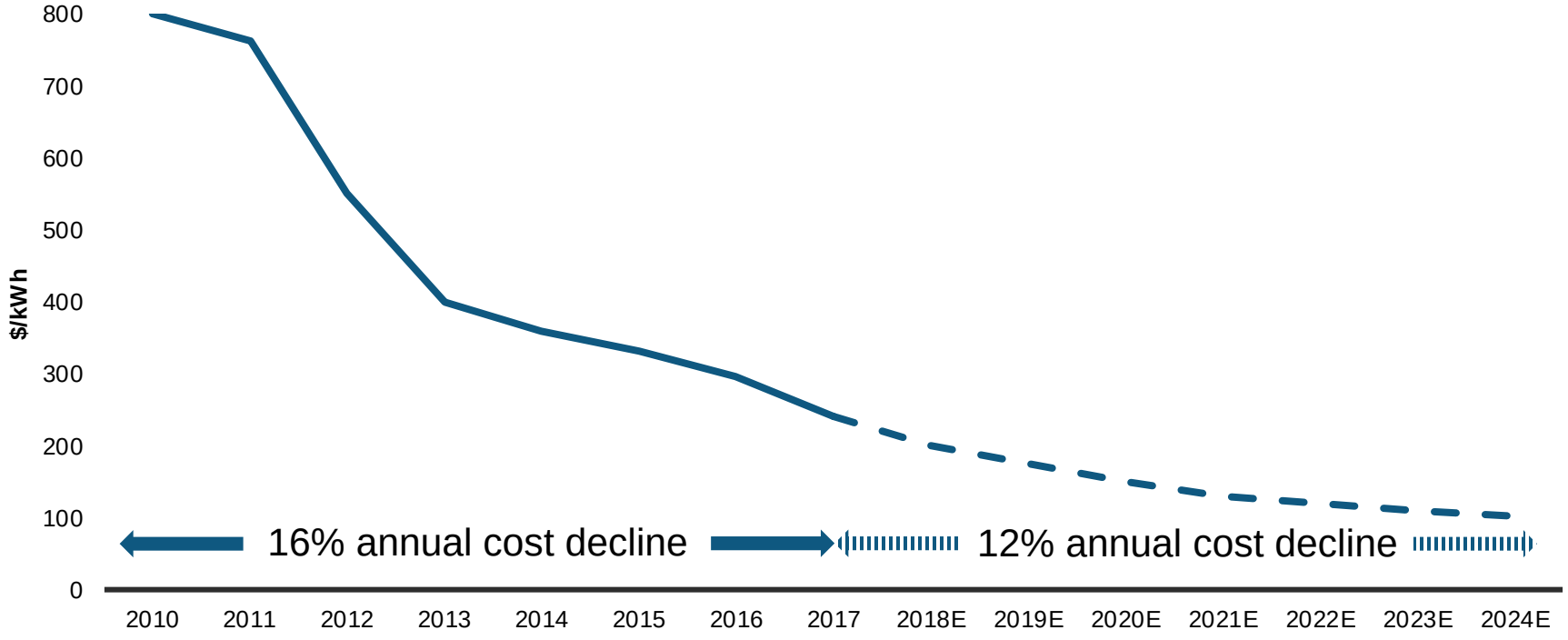
	E-Golf	Golf S (1.8L Turbo)
Range	200km	~600km
Starting price	US$30,495	US$20,910

Source: http://www.vw.com/models/. Prices for US market, recorded on 27 February 2018. Golf S range calculated as fuel tank capacity (13.2 gal) multiplied by combined MPG consumption (29 mpg), converted back into kilometres.

Key factors affecting EV adoption

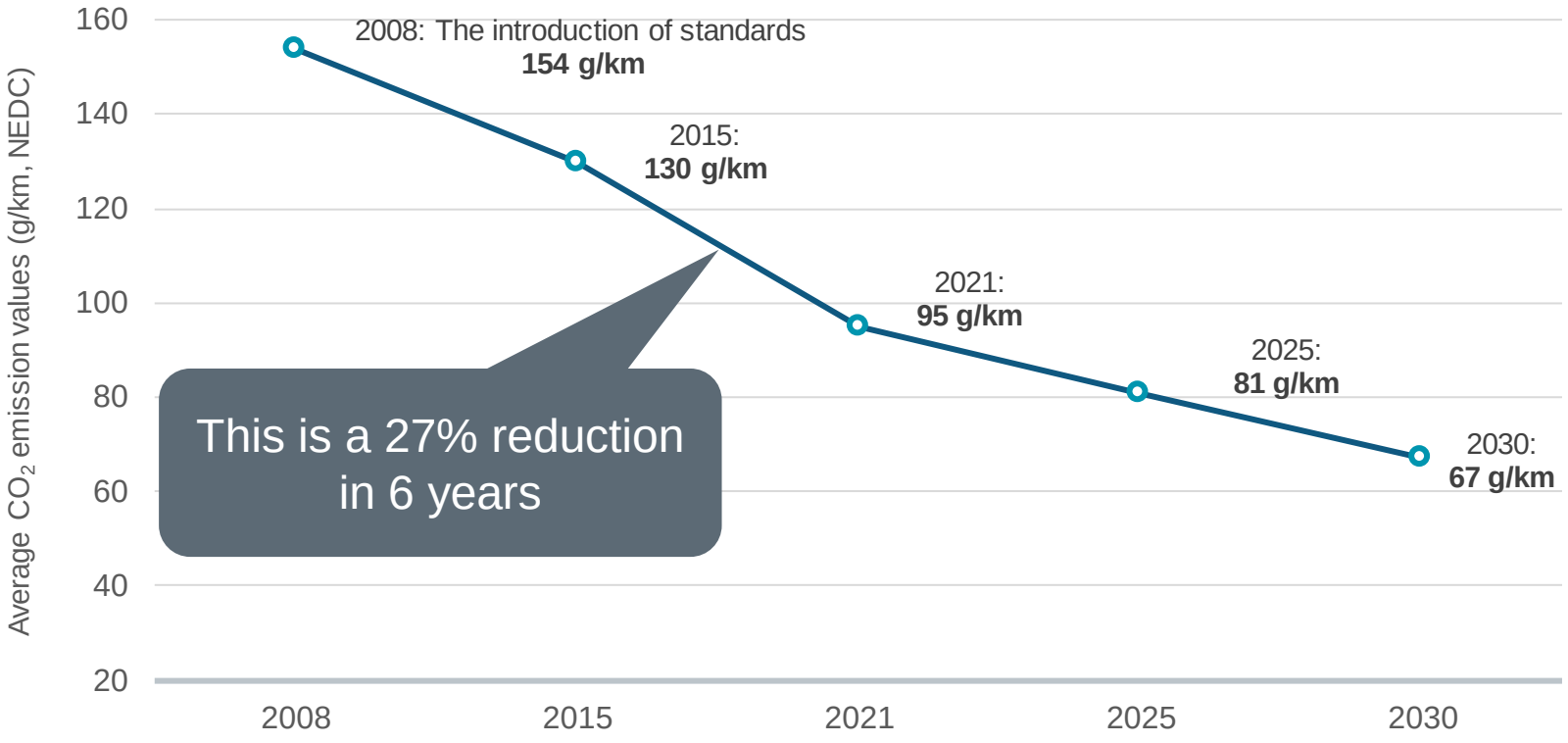
- Innovation is bringing down the cost of batteries
- Government regulations

Batteries' rapid cost declines



Source: Bernstein
Note: Estimates from 2017.

Emissions regulations in the EU



Source: https://ec.europa.eu/clima/policies/transport/vehicles/cars_en

The size of the EV battery market is truly enormous

US$50 – 60bn

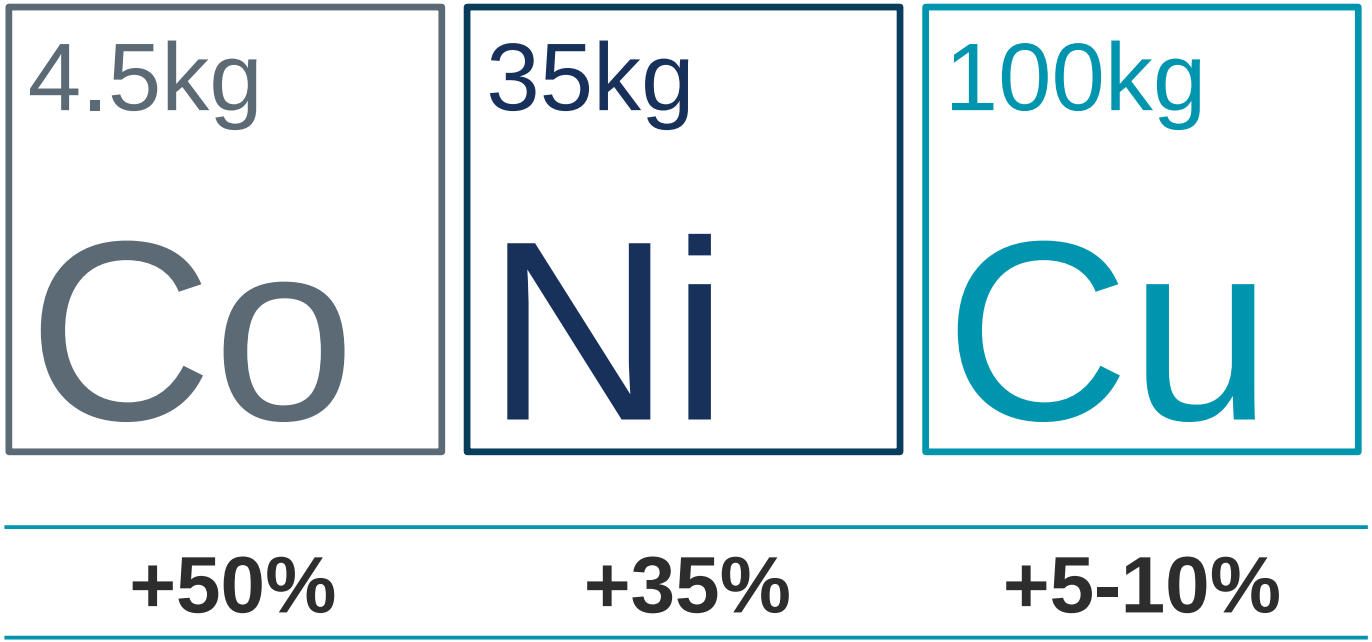
Source: Platinum Investment Management estimates

EV battery investment: LG Chem Ltd (Korea)

Supplier to:

Source: https://files.gamebanana.com/img/ico/sprays/vw.png, https://omny.fm/shows/caradvice/playlists/mercedes-benz/image.jpg?t=1478495627&size=Small, https://files.gamebanana.com/img/ico/sprays/fordlogo.png, https://thechemicogroup.com/wp-content/uploads/2016/04/GM-logo.jpg, http://www.abbeyroweautoglass.com/wp-content/uploads/2015/03/Nissan.jpg, https://static1.squarespace.com/static/54d8a47ce4b0b12e046b840b/t/55926907e4b0978d3a475b70/1435658504651/Land+Rover+Logo

EV battery commodity inputs



Source: Platinum Investment Management, Bernstein Research. 10% EV penetration with 50kw battery

EV Commodities Investment: Glencore Plc (Switzerland)

GLENCORE

Source: glencore.com, http://www.logosurfer.com/logo/glencore-international-logo

What do EV's have to do with a cup of tea?

Source: https://asda.scene7.com/is/image/Asda/5054781048688?hei=532&wid=910&qlt=85&fmt=pjpg&resmode=sharp&op_usm=1.1,0.5,0,0&defaultimage=default_details_George_rd

What do EV's have to do with a cup of tea?

Source: https://asda.scene7.com/is/image/Asda/5054781048688?hei=532&wid=910&qlt=85&fmt=pjpg&resmode=sharp&op_usm=1.1,0.5,0,0&defaultimage=default_details_George_rd

EV Plug In

Charging this car overnight

requires a 7kW charger

The equivalent of running

3 kettles

for

6 hours

Infrastructure investment: Landis + Gyr Group (Switzerland)

Landis+Gyr

manage energy better

 Source: https://project-sparks.eu/wp-content/uploads/2014/04/L+G-with-Tagline.jpg, www.landisgyr.com

Auto Company Investments

Company	TESLA	Mercedes-Benz	BMW
Market Cap ($US)	$59bn	$93bn	$69bn
FY17 Vehicle Production	0.1m	2.4m	2.5m
Market Cap ($US) / Vehicle	$577,000	$38,000	$28,000

Source: Tesla Motors, FactSet Research Systems, Morgan Stanley, http://www.carlogos.org/logo/BMW-logo-2000-2048x2048.png; http://www.carlogos.org/logo/Mercedes-Benz-logo-2011-1920x1080.png, http://www.carlogos.org/logo/Tesla-logo-2003-2500x2500.png

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Looking Beyond Fear to Find Opportunity

Andrew Clifford

1987 Crash

"All the News That's Fit to Print"

The New York Times

Late Edition

New York: Today, increasing clouds. High 62-67. Tonight, cloudy, breezy, showers likely. Low 51-57. Tomorrow, showers ending. High 58-63. Yesterday: High 68, low 48. Details on page B6.

VOL.CXXXVII... No. 47,298 NEW YORK, TUESDAY, OCTOBER 20, 1987 30 CENTS

STOCKS PLUNGE 508 POINTS, A DROP OF 22.6%; 604 MILLION VOLUME NEARLY DOUBLES RECORD

U.S. Ships Shell Iran Installation In Gulf Reprisal

Offshore Target Termed a Base for Gunboats

By STEVEN V. ROBERTS

WASHINGTON, Oct. 19 — United States naval forces struck back at Iran today for attacks on American-registered vessels and other Persian Gulf shipping by shelling two connected offshore platforms that American officials said were a base for Iranian gunboats.

A few hours later, a naval commando detachment boarded a third platform five miles away and destroyed radar and communications equipment, Pentagon officials said.

No American casualties were reported in the actions, which occurred 120 miles east of Bahrain at about 2 P.M. (7 A.M., Eastern daylight time).

A 30-Minute Warning

American officials said the attacking force took pains to avoid killing Iranians, giving the crew on the first two platforms a 30-minute warning before four destroyers, stationed about three miles away, began the shelling.

1982 1983 1984 1985 1986 1987

A Huge Blow to the Five-Year Bull Market

Dow's Record Fall

Yesterday's close was down 22.6 percent from Friday's close.

The Dow Jones industrial average, which has been marching up since August 1982, began a dramatic fall last week that continued through yesterday when it closed at 1,738.74. Shown: Weekly close of the Dow.

Oct. 19, 1982 1,738.74 (Drop of 508 points)

Source: Knight-Ridder Financial

Does 1987 Equal 1929?

By ERIC GELMAN

News Analysis

As stock prices soared this year, a chorus of pessimists warned that 1987 was looking more like 1929, when a stock market crash helped to usher in the Great Depression. Yesterday, after a plunge reminiscent of the worst days of 1929, one pressing question was whether the aftershocks would be as devastating as

Moore, director of the Center for International Business Cycle Research at Columbia University.

To be sure, there are some unsettling similarities between the current era and the pre-Depression years. Like the Roaring Twenties, the 1980's have seen an astonishing boom Wall Street. Now as then, individual and corporate debt

WORLDWIDE IMPACT

Frenzied Trading Raises Fears of Recession — Tape 2 Hours Late

By LAWRENCE J. De MARIA

Stock market prices plunged in a tumultuous wave of selling yesterday, giving Wall Street its worst day in history and raising fears of a recession.

The Dow Jones industrial average, considered a benchmark of the market's health, plummeted a record 508 points, to 1,738.74, based on preliminary calculations. That 22.6 percent decline was the worst since World War I and far greater than the 12.82 percent drop on Oct. 28, 1929, that along with the next day's 11.7 percent decline preceded the Great Depression.

Since hitting a record 2,722.42 on Aug. 25, the Dow has fallen almost 1,000 points, or 36 percent, putting the blue-chip indicator 157.5 points below the level at which it started the year. With Friday's plunge of 108.35 points, the Dow has fallen more than 26 percent in the last two sessions.

Unprecedented Trading

Yesterday's frenzied trading on the

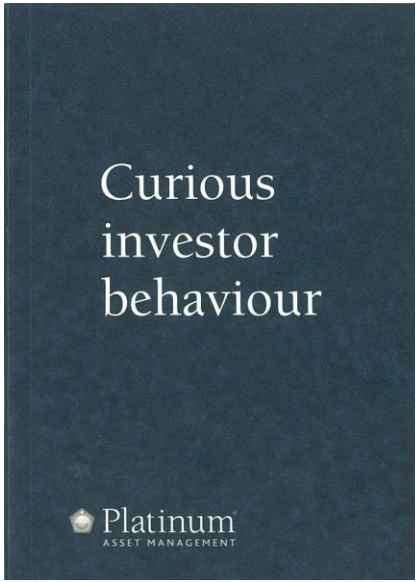
THE NEW YORK TIMES

Source: The New York Times, TheStreet.com

The 1980s

 Source: Oldcomputers.net, pixers.co.nz

Avoiding the cognitive biases inherent in markets



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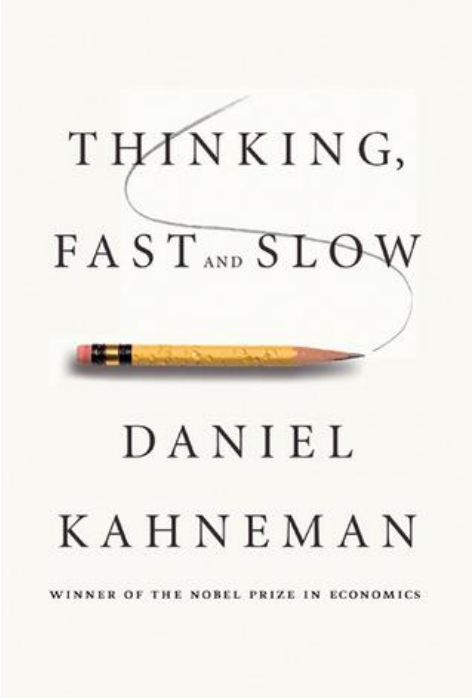


Source: Platinum Investment Management Limited, Wikipedia

A framework for identifying investments

A Matrix of Facts versus Feelings

	Weak Evidence	Strong Evidence
Low Conviction	AVERAGE RETURNS	STRONG RETURNS
High Conviction	POOR RETURNS	AVERAGE RETURNS

Source: Platinum Investment Management Limited

A framework for identifying investments

A Matrix of Facts versus Feelings

	Weak Evidence	Strong Evidence
Low Conviction		China
High Conviction		

Source: Platinum Investment Management Limited

A framework for identifying investments

A Matrix of Facts versus Feelings

	Weak Evidence	Strong Evidence
Low Conviction		
High Conviction		TESLA; 3 Li

Source: Platinum Investment Management Limited

A framework for identifying investments

A Matrix of Facts versus Feelings

	Weak Evidence	Strong Evidence
Low Conviction		27 Co 28 Ni 29 Cu
High Conviction		

Source: Platinum Investment Management Limited

A framework for identifying investments

A Matrix of Facts versus Feelings

	Weak Evidence	Strong Evidence
Low Conviction		Mercedes-Benz, BMW
High Conviction		

Source: Platinum Investment Management Limited

A framework for identifying investments

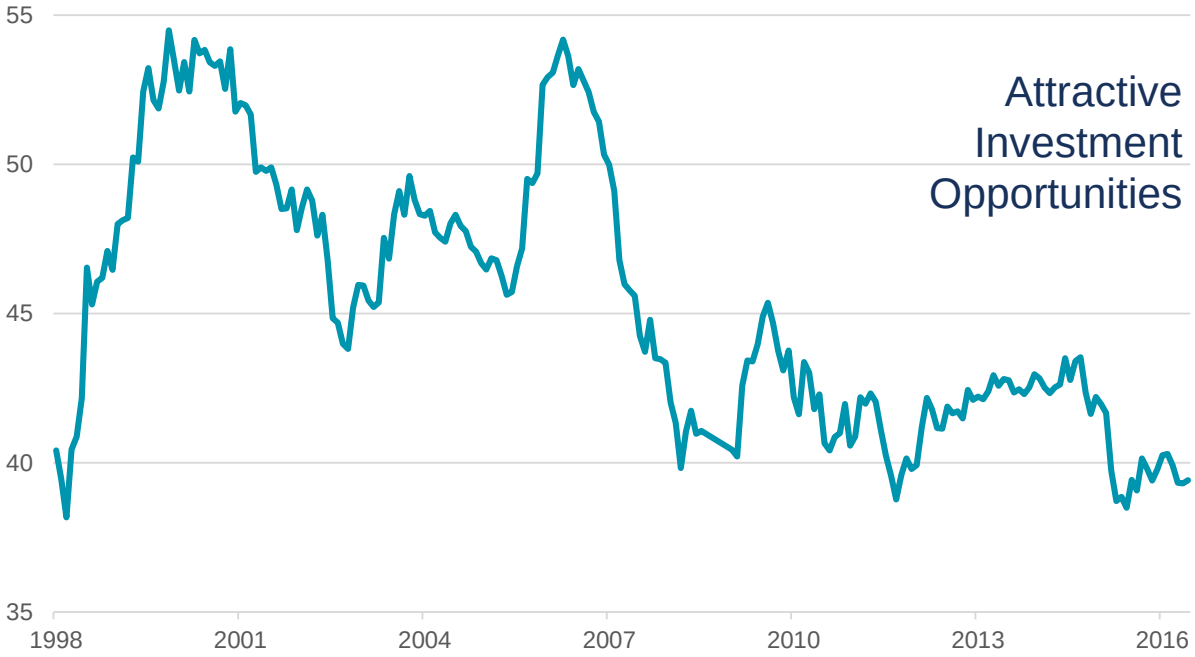
A Matrix of Facts versus Feelings

	Weak Evidence	Strong Evidence
Low Conviction		LG Chem
High Conviction		

Source: Platinum Investment Management Limited

Portfolio quantitative score

Platinum International Fund composite measures of value, leverage, growth and profitability



Attractive Investment Opportunities

"Our portfolio… represents the best value over the last 17 years"

March 2016 Quarterly

Source: Platinum Investment Management Limited

Portfolio quantitative score

Platinum International Fund composite measures of value, leverage, growth and profitability

Source: Platinum Investment Management Limited. Investment return calculated to 31 January 2018

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