



Quarterly Investment Manager's Report

Platinum World Portfolios - Japan Fund

30 June 2022

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Performance

to 30 June 2022

SUB-FUND	PORTFOLIO VALUE (US\$ MIL)	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA	INCEPTION DATE
Platinum World Portfolios - Japan Fund								
Class A (USD)	10.2	-13.1%	-15.3%	4.7%	1.1%	1.4%	4.9%	11 Jan 2016
Class D (USD)	19.4	-13.3%	-15.9%	4.0%	0.5%	0.9%	4.4%	16 Nov 2015
Class F (EUR)	0.1	-8.2%	-4.6%	7.8%	3.3%	-	1.4%	18 Oct 2017
MSCI Japan Net Index (USD) ⁽¹⁾		-14.6%	-19.9%	0.0%	1.0%	1.8%	3.2%	16 Nov 2015
MSCI Japan Net Index (USD) (EUR) ^(2,3)		-9.1%	-9.2%	3.6%	3.9%	-	3.0%	18 Oct 2017

(1) For the purpose of calculating the "since inception" returns of the Index in USD, the inception date of Class D of the Fund is used, since Class D was the first USD-denominated share class activated.

(2) The MSCI Index returns in USD have been converted into the specified currency (EUR or GBP, as the case may be) using the prevailing spot rate.

(3) For the purpose of calculating the "since inception" returns of the Index in EUR, the inception date of Class F of the Fund is used, since Class F was the first EUR-denominated share class activated.

Fund returns are net of accrued fees and expenses, are pre-tax, and assume the accumulation of net income and capital gains. Where a particular share class is not denominated in USD, the net asset value per share in USD, being the Fund's base currency, is converted into the denomination currency of that share class using the prevailing spot rate.

Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations See note 1, page 9.

Source: Platinum Investment Management Limited for Fund returns; FactSet Research Systems for MSCI Index returns.

Platinum Japan Fund



James Halse
Portfolio Manager

Performance

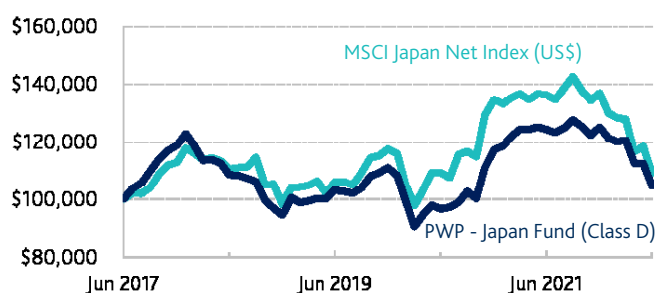
(compound p.a.⁺, to 30 June 2022)

SHARE CLASS	QUARTER	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PWP Japan Fund Class A USD	-13%	-15%	1%	1%	5%
PWP Japan Fund Class D USD	-13%	-16%	0%	1%	4%
PWP Japan Fund Class F EUR	-8%	-5%	3%	-	1%
MSCI Japan Net Index (USD)	-15%	-20%	1%	2%	3%

⁺Excluding quarterly returns. Fund returns are net of accrued fees and costs. Class D inception date (16 Nov 2015) is used for Index "since inception" returns. [^] Index returns are those of the MSCI Japan Net Index in USD. Source: Platinum Investment Management Limited, FactSet Research Systems. **Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.** See notes 1 & 2, page 9.

Value of US\$100,000 Invested Over Five Years

30 June 2017 to 30 June 2022



After fees and costs. See notes 1 & 3, page 9. **Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.**

See notes 1 & 2, page 9.

Source: Platinum Investment Management Limited, FactSet Research Systems.

The Fund (Class D) returned -13.3% for the quarter and -15.9% for the year.¹

Japan's stock market (-4% in local currency terms) did not escape unscathed from the equity market pain felt in the Western hemisphere, but fared considerably better than its US (-17%) and European (-9%) counterparts,² helped in part by the weakness in the yen and the ongoing loose monetary policy of the Bank of Japan (BOJ).

The Fund saw strong performance from a selection of stocks driven by idiosyncratic factors. **Ship Healthcare** (+21%) rebounded as investors warmed to its respectable new mid-term plan, driven by government policy to reduce hospital numbers via consolidation and reconstruction, which is beneficial to Ship's consulting and medical equipment supply business. Technology systems integrator **Fuji Soft** rallied 26% as an activist investor increased its stake to more than 20% after its shareholder proposals were rejected at the Annual General Meeting in March, and bathroom fixtures and window sash manufacturer **Lixil** gained 11% with a decline in the price of aluminium, a key input.

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

2 MSCI Japan Index, MSCI USA Index and MSCI Europe Index, respectively, in local currency. Source: MSCI.

Our selective short positions against a number of very overvalued and/or challenged businesses contributed 1.1% to the Fund's return in the quarter.

Detractors from performance included semiconductor equipment maker **Tokyo Electron** (-30%) and semiconductor wafer manufacturer **SUMCO** (-13%), as the outlook for semiconductor demand weakened. **Doosan Bobcat**, owner of the Bobcat small earth-mover brand, declined 26% due to its exposure to a weakening US housing cycle.

Changes to the Portfolio

We made only a few minor tweaks to the portfolio during the quarter, adding to our positions in **Fuji Soft** and elevator maker **Fujitec**, as activist actions appeared likely to gain more ground with both companies. We also increased our stake in **Toho Titanium**, as the outlook for its business improved with the increasing likelihood that major Russian producer VSMPO's products will be excluded from high-grade aerospace applications. We exited our position in **Oracle Japan**, as we assessed the competitive position of Oracle's growth engine, the enterprise resource planning software business, to be much less robust in Japan than elsewhere.

Commentary

The yen's precipitous decline from 115 to the US dollar (USD) at the start of 2022, to 135 at the time of writing, appears mainly to be a function of the divergence in monetary policy between the US Federal Reserve (Fed) and the BOJ. While the Fed has raised rates and plans to begin decreasing the size of its balance sheet, thus withdrawing liquidity from the financial system, the BOJ, per its yield curve control policy, (YCC) has pledged to buy unlimited Japanese government bonds (JGBs) to maintain a cap on the 10-year bond rate at 0.25%. This has led to a significant widening of the available interest rate spread one earns from selling yen and buying USD, and thus downward pressure on the yen.

Speculators noted the weakness in the yen and wagered that the BOJ would be forced to abandon YCC through selling JGB futures. The extent of these bets led to a significant gap between the price of the futures contract and that of the underlying bond. The rationale behind this trade is that Japan is now experiencing uncharacteristically high inflation (+2.5% year-on-year in April and May),³ due partly to increased global commodity prices, but compounded by the yen weakness, which makes USD-priced commodities more expensive again. As the thinking goes, the BOJ will be forced to raise rates to control inflation, following the approach of central banks elsewhere in the world.

³ Source: FactSet Research Systems.

Disposition of Assets

REGION	30 JUN 2022	31 MAR 2022	30 JUN 2021
Japan	76%	69%	79%
South Korea	8%	8%	8%
Cash	16%	23%	13%
Shorts	-2%	-4%	-3%

See note 4, page 9. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2022	31 MAR 2022	30 JUN 2021
Information Technology	20%	18%	22%
Industrials	20%	20%	21%
Materials	16%	13%	8%
Consumer Staples	9%	6%	2%
Consumer Discretionary	8%	7%	12%
Communication Services	6%	6%	7%
Health Care	2%	2%	8%
Financials	0%	2%	3%
Real Estate	0%	0%	1%
TOTAL NET EXPOSURE	81%	73%	84%

See note 5, page 9. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	30 JUN 2022	31 MAR 2022	30 JUN 2021
Japanese Yen (JPY)	66%	50%	89%
United States Dollar (USD)	26%	8%	3%
South Korean Won (KRW)	8%	8%	8%
Australian Dollar (AUD)	-1%	34%	0%

See note 6, page 9. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

As yet, the BOJ has stood strong and appears to have the backing of the political establishment in doing so. One of the key reasons for this, is likely the absence of wage growth in the system that would indicate the potential for persistent inflation. The BOJ has a target of achieving 2% inflation on an ongoing basis, but with wage growth stuck stubbornly between 1%-2% in recent months, the BOJ is remaining dovish. This approach is now looking prescient as commodities are crashing from their recent heights, implying a deflationary impulse in the Japanese economy's future.

The wage growth question is a difficult one for Japan. The post-war period saw an alliance between the government and corporate sectors against the power of labour to ensure the healthy growth of a manufacturing-oriented export economy. This dynamic worked well during the boom but has resulted in stagnant wages since the early 1990s.⁴ The traditional job-for-life, seniority-based system means that companies typically do not hire for specific roles or on the basis of specific skills, with most training occurring on the job and very little inter-company mobility of labour. In the West, it is well-known that workers changing companies are generally likely to earn better pay than those who stay loyal to their current employer.⁵ This phenomenon obviously places upward pressure on overall pay rates across industries as companies compete to attract talent to fill vacant roles. With the dearth of this dynamic in Japan, it is difficult to see where upward pressure on pay rates may come from, particularly given the absence of aggressive labour unions, such as those we can observe in South Korea.⁶

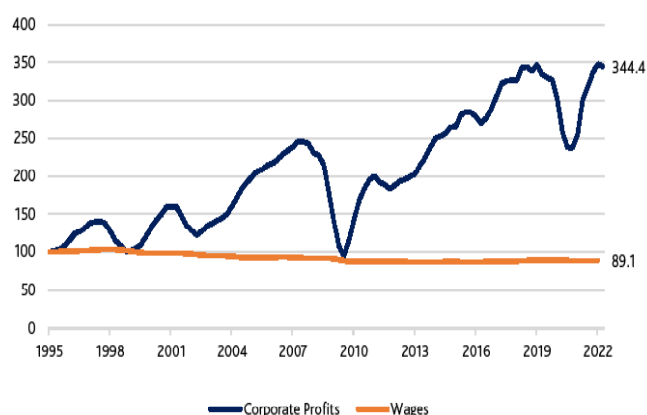
BOJ Governor Haruhiko Kuroda is thus doing everything in his power to ensure the persistence of inflation, perhaps to the point where the quiescent Japanese worker begins to demand a fair share of the tremendous growth in corporate profits experienced while wages have flatlined (see Fig. 1).

4 <https://asia.nikkei.com/Politics/Japan-election/Japan-s-30-year-wage-slump-hangs-over-distribution-debate>

5 <https://www.forbes.com/sites/jackkelly/2019/07/26/a-new-study-concludes-that-it-literally-pays-to-switch-jobs-right-now/?sh=7d37d9f75959>

6 <https://www.reuters.com/business/autos-transportation/hyundai-motors-union-skorea-vote-first-strike-4-years-2022-07-01/>

Fig. 1: Japan Corporate Profits vs. Wages (1995 = 100)



Source: FactSet Research Systems.

The upshot of all this is that we can expect the BOJ to continue its loose monetary policy, thus placing downward pressure on the yen and upward pressure on Japanese risk assets such as equities. However, as we look to be entering recessionary territory in the West, the potential exists for the yen's traditional role as a safe haven currency to reassert itself and offset the downward pressure, while corporate earnings may be pressured by a drop in international demand. The reopening of China's domestic economy further complicates the picture. Given how linked Japan now is to its giant neighbour, a rebound in China could provide a cushion for Japanese business performance.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Toyo Seikan Group	Japan	Materials	5.7%
MinebeaMitsumi Co Ltd	Japan	Industrials	4.7%
Fujitec Co Ltd	Japan	Industrials	4.4%
Toyota Motor Corp	Japan	Cons Discretionary	3.9%
Lixil Group Corp	Japan	Industrials	3.8%
Fuji Soft Inc	Japan	Info Technology	3.8%
Asahi Group Holdings	Japan	Consumer Staples	3.7%
Hokuetsu Corp	Japan	Materials	3.3%
SK Hynix Inc	South Korea	Info Technology	3.3%
DeNA Co Ltd	Japan	Comm Services	3.2%

As at 30 June 2022. See note 7, page 9.

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 www.platinumworldportfolios.ie/The-Funds/PWP-Japan-Fund.

Outlook

The outlook for Japanese equities appears robust, particularly for those engaged in active management of their positions. Notwithstanding the growing macroeconomic clouds elsewhere in the world, Japanese stocks are starting from already depressed valuation levels at a time when cash returns to investors are consistently improving. Famous for hoarding cash, Japanese corporates are now returning it to investors at record levels (see Fig. 2) while maintaining generally strong balance sheets. Indeed, the total yield (dividend + buyback) on the MSCI Japan Index is expected to rise to more than 4% this year.⁷

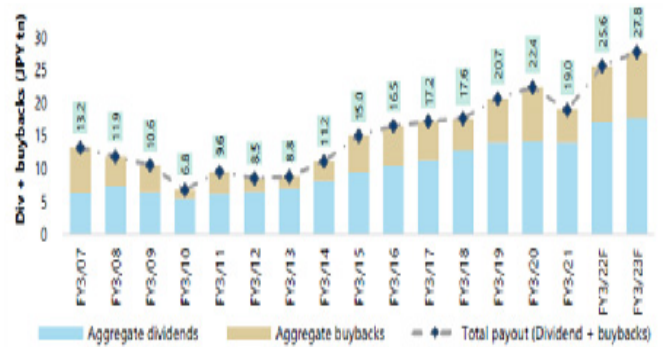
The ongoing improvement in corporate governance in Japan is steadily continuing, aided by shareholder engagement, which has driven success stories such as Olympus⁸ and has now spread widely, beyond the headline-grabbing situations such as those of Toshiba, into stocks such as Fuji Soft and Fujitec mentioned above, and many others.

We will continue to seek out situations of improving governance, operational, and financial execution in which to invest a portion of the Fund's assets while concurrently looking for opportunities to invest in strong businesses with prospects for improving circumstances that we believe are underappreciated by the market.

⁷ Source: Jefferies.

⁸ As covered in our June 2021 quarterly report https://www.platinumworldportfolios.ie/PlatinumSite/media/Updates-Reports/ptwjqr_0621.pdf

Fig. 2: Topix – Aggregate Dividend and Buybacks Trend Since FY3/07



Source: FactSet Research Systems, Bloomberg, Jefferies.

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1. Fund returns are calculated by Platinum using the Fund's net asset value per share (i.e. excluding the anti-dilution levy) attributable to the specified share class. Where a share class is not denominated in USD, the net asset value per share in USD, being the Fund's base currency, is converted into the denomination currency of that share class using the prevailing spot rate. Fund returns are net of fees and expenses, pre-tax, and assume the accumulation of the net income and capital gains, each as attributable to the specified share class. The MSCI index returns are in USD, are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, 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 portfolio inception dates for each active share class of the Fund are as follows:
 - Platinum World Portfolios - Japan Fund:

Class A USD (Accumulating) (ISIN: IE00BYRGRF20): 11 January 2016	Class D USD (Accumulating) (ISIN: IE00BYRGRJ67): 16 November 2015
Class F EUR (Accumulating) (ISIN: IE00BYRGRJ89): 18 October 2017	

 For the purpose of calculating the "since inception" returns of the MSCI index, the inception date of Class D of the Fund, being 16 November 2015, is used (as Class D was the first share class activated).
3. The investment returns depicted in this graph are cumulative on US\$100,000 invested in Class D of the specified Fund over the specified period relative to the specified net MSCI Index in US Dollars.
4. 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. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "Shorts" show 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 derivative transactions.
5. 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".
6. The table shows the Fund's net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
7. 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.

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PLATINUM WORLD PORTFOLIOS PUBLIC LIMITED COMPANY

An umbrella fund with segregated liability between sub-funds
Company Registration Number: 546481

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