



# Quarterly Investment Manager's Report

Platinum World Portfolios - International Fund

Platinum World Portfolios - Asia Fund

Platinum World Portfolios - Japan Fund

**30 June 2019**

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by Andrew Clifford, Chief Investment Officer

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# Performance

to 30 June 2019

SUB-FUND	PORTFOLIO VALUE (US\$ MIL)	QUARTER	6 MONTHS	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA	INCEPTION DATE
<b>Platinum World Portfolios - International Fund</b>								
Class A (USD)	40.2	0.2%	10.3%	-4.0%	2.9%	8.9%	7.7%	27 Apr 2016
Class B (USD)	12.2	0.0%	9.9%	-4.7%	2.2%	-	7.7%	2 Dec 2016
Class D (USD)	12.6	0.0%	9.9%	-4.7%	2.2%	8.4%	5.4%	16 Nov 2015
Class F (EUR)	6.0	-1.3%	10.8%	-2.1%	2.5%	-	2.0%	4 Apr 2017
Class G (GBP)	10.8	2.7%	10.7%	-0.3%	4.2%	10.7%	12.5%	27 Apr 2016
Class H (GBP)	0.3	2.6%	10.3%	-0.9%	3.6%	-	8.9%	4 Aug 2016
MSCI All Country World Net Index (USD) <sup>(1)</sup>		3.6%	16.2%	5.7%	8.2%	11.6%	9.8%	16 Nov 2015
MSCI All Country World Net Index (USD) (EUR) <sup>(2,3)</sup>		2.2%	16.7%	8.4%	8.3%	-	6.2%	4 Apr 2017
MSCI All Country World Net Index (USD) (GBP) <sup>(2,4)</sup>		6.1%	16.3%	9.7%	9.3%	13.5%	15.2%	27 Apr 2016
<b>Platinum World Portfolios - Asia Fund</b>								
Class A (USD)	19.0	-0.7%	10.3%	-4.4%	4.2%	-	8.9%	10 Mar 2017
Class B (USD)	5.6	-0.8%	10.0%	-5.0%	4.0%	-	6.6%	20 Apr 2017
Class D (USD)	16.9	-0.8%	10.0%	-5.0%	4.0%	10.4%	8.5%	16 Nov 2015
Class G (GBP)	1.3	1.7%	-	-	-	-	7.5%	19 Feb 2019
Class I (USD)	132.3	-0.6%	10.5%	-4.1%	4.6%	-	10.5%	19 Jan 2017
MSCI AC Asia ex Japan Net Index (USD) <sup>(1)</sup>		-0.7%	10.7%	-0.5%	4.6%	11.5%	10.1%	16 Nov 2015
MSCI AC Asia ex Japan Net Index (USD) (GBP) <sup>(2,4)</sup>		1.7%					5.4%	19 Feb 2019
<b>Platinum World Portfolios - Japan Fund</b>								
Class A (USD)	17.5	4.0%	9.5%	-4.3%	1.9%	9.4%	8.2%	11 Jan 2016
Class B (USD)	2.0	3.8%	9.1%	-4.9%	1.6%	-	5.8%	23 Dec 2016
Class D (USD)	19.1	3.8%	9.1%	-4.9%	1.6%	9.7%	7.7%	16 Nov 2015
Class F (EUR)	0.3	2.4%	10.0%	-2.3%	-	-	-2.0%	18 Oct 2017
MSCI Japan Net Index (USD) <sup>(1)</sup>		1.0%	7.7%	-4.2%	2.9%	8.1%	5.1%	16 Nov 2015
MSCI Japan Net Index (USD) (EUR) <sup>(2,3)</sup>		-0.4%	8.2%	-1.8%	-	-	1.4%	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.

(4) For the purpose of calculating the "since inception" returns of the Index in GBP, the inception date of Class G of the Fund is used, since Class G was the first GBP-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. See note 1, page 18.**

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

# Macro Overview

by Andrew Clifford, CIO, Platinum Investment Management Limited

## Trade war dominates, distracts and detracts

The escalation of protectionist measures by the US government can only detract from economic prospects for the US and the rest of the world. The real question, however, is how significant will the collateral damage be and how readily can it be overcome by other policy measures? In spite of an agreement reached between US President Donald Trump and Chinese President Xi Jinping at the June G20 meeting, the uncertainty created by the trade dispute is likely to continue to weigh on investment decisions the world over.

The events of the last 18 months have created a chaotic environment for any business directly or indirectly involved in world trade. The US government first imposed China-specific tariffs of 25% on US\$50 billion of imports in July and August last year. In September, the US imposed 10% tariffs on a further US\$200 billion of imports from China, with a threat to escalate these to 25% in January 2019. Then in December, at the G20 meeting in Buenos Aires, the two governments reached an agreement to defer the January tariff increase as they worked towards a resolution.

When trade negotiations broke down in early May this year, the US moved swiftly to increase tariffs to 25% on the US\$200 billion of imports from China, and threatened to apply 25% tariffs to an additional US\$300 billion of imports, which was essentially the balance of the US's imports from China. Then at the end of June, at another G20 meeting, there was yet another agreement to negotiate and defer the next round of tariffs.

The US's trade war with China is only part of the story. The Trump government first imposed tariffs on imports of all solar panels and washing machines in January 2018. Tariffs on steel and aluminium imports (with only a handful of countries exempted) followed shortly after in March 2018. While beneficial for US producers of these goods, the tariffs were detrimental to US manufacturers, as steel and aluminium are essential inputs to their business, and they often compete globally against companies without such imposts. There are also the ongoing threats of tariffs on European auto producers. Closer to the US borders, Canada and Mexico needed to renegotiate the North American Free Trade Agreement (New NAFTA) and on signing, the US threatened to renege on the deal with Mexico over issues

relating to immigration. Most recently, the US government placed restrictions on the sale of US technology to Huawei, the world's largest producer of telecom and networking equipment. While theoretically based on national security issues, the decision now appears to be on hold post the June G20 meeting.

## Implications for business investment

On face value, the one clear message to US businesses is they need to reduce their dependency on China as a source of supply, and indeed many companies are considering this. In theory, it sounds like a simple decision, but in reality, there are numerous challenges. These include, readily finding the quantity of labour with the requisite flexibility, as well as securing the full supply chain of services, such as design, packaging, logistics and financing, that are very well developed in China<sup>1</sup>. Submissions by US businesses to the recent public hearings on the proposed 25% tariffs on the remaining US\$300 billion of China imports, highlight these challenges, with many simply seeing no alternatives to China for acquiring critical inputs to their business. The most likely pathway would be to pass on the tariffs to customers via higher prices with the potential to cause substantial damage to their business and a significant loss of revenues.

Nevertheless, some businesses will pursue alternative supply arrangements for their manufactured goods, which is a risk if a trade agreement is reached with China down the track, as they may be committed to less-than-ideal arrangements. This risk is clearly highlighted by threats to place tariffs on imports from Mexico if they don't meet the US's immigration demands. Until this point, Mexico probably ranked as the next best place to source manufactured goods after China. In such an environment of so much uncertainty, it seems highly likely that companies of all sizes, both in the US and elsewhere, will defer investment where possible until the trade issues have been resolved.

The decision to place Huawei on the US "Entity List" in May, which effectively restricts the sale of American-made parts

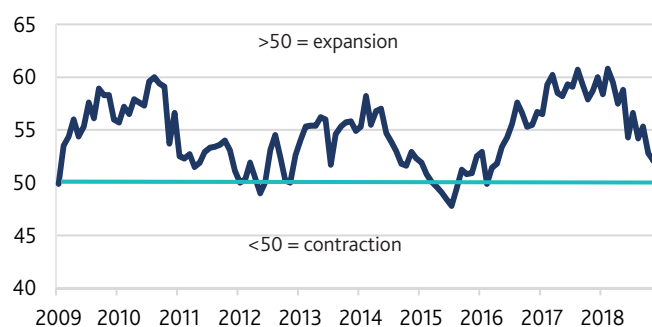
<sup>1</sup> See our reports, Observations from a Recent Trip to China, 1 May 2017, <https://www.platinum.com.au/Insights-Tools/The-Journal/observations-from-a-recent-trip-to-china> and Macro Overview, September 2018, [https://www.platinumworldportfolios.ie/PlatinumSite/media/Fund-Updates-and-Reports/pwpqtr\\_0918.pdf](https://www.platinumworldportfolios.ie/PlatinumSite/media/Fund-Updates-and-Reports/pwpqtr_0918.pdf)

and components to Huawei, creates another more specific area of uncertainty. It is not clear to what extent the bans will prevent Huawei from manufacturing its product lines, but its inability to access certain key components from US suppliers is likely to dramatically curtail its business. While telecommunication network operators could simply replace the Huawei product with a Samsung, Ericsson, Cisco, or Nokia product, in most cases the networks will need to be re-engineered so they are compatible, which may mean subsequent delays to other investments already in the pipeline.

In addition to the recent ban, legislation passed in the US in 2018 restricted the purchase of Huawei equipment by any entity accessing government funding, with a two-year deadline to remove Huawei equipment from expenditures. In early June this year, the Wall Street Journal reported that the White House's Acting US Budget Chief was looking to delay the deadline by a further two years due to difficulties in sourcing alternatives to Huawei equipment<sup>2</sup>. Even where simple fixes are available, the sheer size of Huawei will limit competitors' ability to fill the gap quickly. As a result of the Huawei bans, investment in communication networks is expected to be on hold as operators look for alternatives. The Huawei bans are however, likely to have a much bigger impact on the broader economy. For every dollar spent on Huawei equipment, there are multiples of dollars spent on the equipment of other vendors and associated services.

The agreement reached between the US and China at the most recent G20 meeting to delay the next round of tariff increases and place a hold on the Huawei ban while further negotiations take place, is undeniably good news. However, it hardly provides the certainty businesses need to make longer-term investment decisions. Ultimately, negative consequences for investment spending and economic growth in the US is to be expected. The US significantly increased tariffs as recently as May this year, which effectively acts as a tax on the US economy, and as such, will weigh on growth. These disruptions come at a time when the US manufacturing sector is already showing signs of weakness as evidenced by a leading survey of manufacturers, the Purchasing Managers'

**Fig. 1: ISM Manufacturing Purchasing Managers' Index - United States**



Source: FactSet

Index (PMI)<sup>3</sup>, which fell to a three-year low of 52 in June 2019, well down from 60 in August last year (see Fig. 1).

## Monetary and fiscal measures could play a role

There are other variables at play though that could potentially offset the impact of the trade deliberations. Most notably, the US Federal Reserve and the European Central Bank have both backed away from tightening monetary policy this year. Markets are already pricing in a 70% probability of two to three interest rate cuts in the US this year. Governments are also likely to be more inclined to use fiscal policy via implementing tax cuts and/or increased spending, to encourage growth in the months ahead. These measures could potentially be enough to counter the negative consequences of the US trade policies.

In China, the economy is stabilising after a period of very tight monetary conditions in the first half of 2018, which were a result of the country's financial reforms. As discussed in past quarterly reports<sup>4</sup>, interest rates have fallen sharply in China over the past 18 months, signifying easier monetary conditions, and the government's fiscal stimulus is estimated

<sup>3</sup> The PMI is a good indicator of the economic health of the manufacturing sector, a reading above 50 implies an expansion in activity relative to the previous month and below 50 implies a contraction.

<sup>4</sup> [https://www.platinumworldportfolios.ie/PlatinumSite/media/Fund-Updates-and-Reports/pwpqtr\\_0319.pdf](https://www.platinumworldportfolios.ie/PlatinumSite/media/Fund-Updates-and-Reports/pwpqtr_0319.pdf)  
[https://www.platinumworldportfolios.ie/PlatinumSite/media/Updates-Reports/pwpqtr\\_1218.pdf](https://www.platinumworldportfolios.ie/PlatinumSite/media/Updates-Reports/pwpqtr_1218.pdf)

<sup>2</sup> Source: "Acting US Budget Chief Seeks Reprieve on Huawei Ban", The Wall Street Journal, 10 June 2019

at 3% of its output (i.e. GDP). While the economy has not responded with the same vigour as it has in past stimulus cycles, this reflects the impact of the trade situation, which has dampened both business and consumer confidence. If required, the Chinese government has the financial resources to add further stimulus to the financial system. As we learned in 2018, at the margin, China is at least as important, if not more so, than the US, in determining economic prospects for the rest of the world, reflecting its size and current growth rate. An optimistic tilt at the current situation is that the Chinese economy has performed well given the set of conditions that it has faced over the last 18 months. Even mildly stronger performance from the world's second largest economy is likely to improve economic conditions across much of the world.

## Market Outlook

Not surprisingly, markets have responded to the trade developments by reverting to a highly risk-averse stance. Global government bond yields have fallen sharply, as central banks changed their stance on future interest rate moves and investors sought risk-free assets. In the equities markets, investors' desire to avoid uncertainty has continued to favour high-growth companies (predominantly technology companies), that are perceived to be immune to external influences. Safe havens, such as consumer staples, utilities, real estate, and infrastructure have also benefited. Conversely, businesses with any degree of cyclicality were sold off aggressively, notably semiconductor companies, which were impacted by the Huawei ban and auto companies, which remain at the centre of the trade disputes. Commodity stocks also sold off in line with lower metals and energy prices, which weakened on lower growth prospects.

### MSCI Regional Index Net Returns to 30.6.2019 (USD)

REGION	QUARTER	1 YEAR
All Country World	3.6%	5.7%
Developed Markets	4.0%	6.3%
Emerging Markets	0.6%	1.2%
United States	4.1%	9.6%
Europe	4.7%	2.4%
Germany	7.1%	-3.8%
France	6.5%	3.0%
United Kingdom	0.9%	-2.0%
Italy	2.9%	-0.7%
Spain	2.6%	-2.1%
Russia	16.9%	27.1%
Japan	1.0%	-4.2%
Asia ex-Japan	-0.7%	-0.5%
China	-4.0%	-6.7%
Hong Kong	1.0%	10.4%
Korea	-0.9%	-9.1%
India	0.5%	7.9%
Australia	7.3%	6.5%
Brazil	7.2%	39.4%

Source: FactSet.

Total returns over time period, with net official dividends in USD.

Historical performance is not a reliable indicator of future performance.

### MSCI All Country World Sector Index Net Returns to 30.6.2019 (USD)

SECTOR	QUARTER	1 YEAR
Financials	5.8%	3.4%
Information Technology	5.2%	9.9%
Industrials	4.5%	6.3%
Consumer Discretionary	4.4%	4.2%
Materials	3.7%	0.0%
Communication Services	3.3%	13.0%
Consumer Staples	2.8%	9.2%
Utilities	2.6%	13.8%
Health Care	1.3%	9.6%
Energy	-1.1%	-7.7%

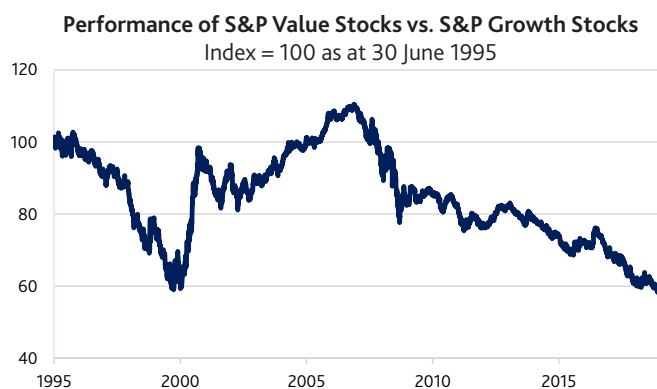
Source: FactSet.

Total returns over time period, with net official dividends in USD.

Historical performance is not a reliable indicator of future performance.

The extremes in valuations are encapsulated well in two groups of stocks. The memory chip industry has in recent years consolidated to three players for DRAM (the memory chips in PCs and data centre servers) and five players for flash memory or NAND (the memory chips in smartphones). The industry has extraordinary barriers to entry in terms of technological and industrial knowhow. Post consolidation, the profitability of the industry has improved dramatically though it remains a cyclical business. With a downturn in smartphone sales and spending on new data centres last year, memory chip prices have fallen and profits are expected to fall by around 50% or more this year. These stocks were sold off heavily last year, and again in recent months, as a result of trade tensions and the Huawei ban. Micron, one of the three producers of DRAM, recently traded close to book value, and on our assessment of likely profits, once the business recovers, was trading on 4 to 5x earnings. In our experience, this is a highly attractive valuation. This industry will grow as the demand for computing grows. On the other hand, e-commerce players and new software business models, which will drive the demand for DRAM and flash memory chips, are trading at extraordinary valuations. Last quarter we highlighted the software-as-a-service (SaaS) companies, many of which trade at valuations in the range of 15 to 25x sales. We believe the likelihood of any company growing their business fast enough for long enough to justify such a valuation is very low.

**Fig. 2: Value vs. Growth – Back to 1999-2000 Levels**



Source: Bloomberg

The contrasting stock market treatment of these two groups of companies is part of a longer-term market phenomenon of growth stocks outperforming value stocks. While we would usually avoid referring to this growth and value categorisation, it helps to highlight the dynamic of investors crowding into growth stocks and avoiding companies with any degree of cyclical.

Figure 2 shows the performance of US growth stocks over US value stocks in the S&P 500 Index. The descending pattern in the chart over the last 12 years reflects the outperformance of growth over value, with growth stocks rising by far more than value stocks relentlessly since 2007. We would simply note that the last time we were at current levels was in 1999-2000. At this time, tech stock, Cisco Systems (networking equipment) traded at 190x earnings and Diageo (alcoholic beverages) traded on 12x earnings. Cisco's stock price subsequently fell 85% from its record high in March 2000, and today, remains 30% below its 2000 highs. Meanwhile, Diageo's stock price subsequently increased seven fold.<sup>5</sup>

In summary, there are significant parts of the global equity market that are trading at very high, in some cases even exorbitant, valuations. We can't be bearish enough on these particular companies. It is worth noting that the Nasdaq Stock Market in the US (home of many of the highly valued growth stocks, notably high-tech) has historically had a high correlation with US economic growth. On the other hand, there are groups of stocks globally that trade on attractive valuations versus historical averages. Most of these are cyclical businesses, and although the global economic outlook is problematic, as we outlined earlier in this commentary, our assessment is that their stock prices already more than reflect a recessionary environment.

<sup>5</sup> Source: FactSet

# Platinum World Portfolios - International Fund



**Andrew Clifford**  
Portfolio Manager



**Clay Smolinski**  
Portfolio Manager

## Performance

(compound pa, to 30 June 2019)

SHARE CLASS	QUARTER	1 YR	2 YRS P.A.	3 YRS P.A.	SINCE INCEPTION P.A.
PWP Int'l Fund Class A USD	0%	-4%	3%	9%	8%
PWP Int'l Fund Class B USD	0%	-5%	2%	-	8%
PWP Int'l Fund Class D USD	0%	-5%	2%	8%	5%
PWP Int'l Fund Class F EUR	-1%	-2%	2%	-	2%
PWP Int'l Fund Class G GBP	3%	0%	4%	11%	13%
PWP Int'l Fund Class H GBP	3%	-1%	4%	-	9%
MSCI AC World Index (USD) <sup>^</sup>	4%	6%	8%	12%	10%

Fund returns are net of accrued fees and costs. Class D inception date (16 Nov 2015) is used for Index "since inception" returns.

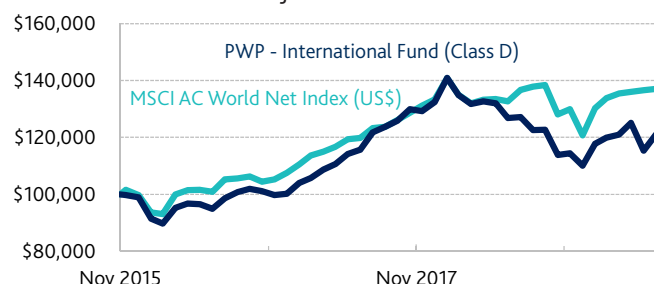
<sup>^</sup> Index returns are those of the MSCI All Country World Net Index in USD.

Source: Platinum Investment Management Limited, FactSet. **Historical performance is not a reliable indicator of future performance.**

See notes 1 & 2, page 18.

## Value of US\$100,000 Invested Since Inception

16 November 2015 to 30 June 2019



After fees and costs. See notes 1 & 3, page 18.

**Historical performance is not a reliable indicator of future performance.**

Source: Platinum Investment Management Limited, FactSet.

The Fund (Class D) returned 0.01% for the quarter and -4.6% for the last 12 months. These returns lagged the performance of global equity markets, which returned 3.6% for the quarter and 5.7% for the 12 months.<sup>1</sup>

The collapse of US-China trade negotiations, the US government's decision to restrict sales of key US technologies to Huawei (China's telecom equipment provider), and growing expectations of interest rate cuts, were the key drivers of equity markets since early May. Broadly, these concerns saw investors once again seek safe havens in perceived low-risk equities, such as real estate, utilities, infrastructure, and consumer staples. Growth stocks, considered immune to the trade issues, were also sought after. This trend was further reinforced by expectations that lower interest rates would support the already highly generous valuations of these stocks. Generally, more cyclical companies, such as commodity producers, were sold off. Companies facing specific exposure to trade issues, such as auto companies, or to the Huawei ban, such as semiconductor companies, came under selling pressure.

As we outlined in this quarter's Macro Overview, these moves continue the long-term trend of growth stocks outperforming value stocks, which has resulted in the disparity of valuations between these groups of stocks widening to extreme levels. The last time the relative performance of growth over value was at current levels, was in 1999-2000 at the height of the tech bubble (see Fig. 2, in the Macro Overview).

While we would not categorise ourselves as a 'classic value' investor, our approach of avoiding the crowd and seeking out those assets that are out-of-favour with investors, has resulted in the Fund migrating to investment opportunities in China, and cyclical sectors such as semiconductors, autos, energy, and metals, where we assess there is significant value.

While portions of the portfolio have lagged the market over the last year, it is worth noting that our investment approach has performed well in a number of key investments. Positions in **Ping An Insurance** (Chinese insurance and banking), **ICICI Bank** and **Axis Bank** (Indian banks), **Weichai Power** (Chinese diesel engine manufacturer), and **Anta Sports Products** (Chinese sports apparel producer), have made strong

<sup>1</sup> References to returns and performance contributions in this PWP – International Fund report are in USD terms, unless otherwise specified.

contributions. Short positions in **Nvidia** (US graphic microchip producer) and **Tesla** also made significant contributions to performance. Each of these investments were made following our traditional investment approach.

Offsetting these good returns were declines in our energy-related investments, notably **Transocean** (offshore contract oil drilling services), **Seven Generations** (Canadian onshore oil and gas producer), and **TechnipFMC** (oil services), as well as other commodity producers such as **Glencore** (copper and cobalt, zinc, coal, and trading), **First Quantum** (copper) and **MMG** (copper).

## Changes to the Portfolio

The net exposure of the portfolio was reduced from 80% to 64% over the quarter. The reduction in the net exposure was a result of a significant increase in short positions from -11% to -24%, predominantly in index futures. This was in response to indications that the US and China were unlikely to conclude a trade agreement anytime soon and the decision to ban sales of US technology to Huawei. The downside risk to markets of a significant escalation in tariffs is, in our view, significant and the additional index short positions were put in place to reduce market exposure. Subsequent to quarter end, the portfolio's net invested position was increased to around 73% with a number of short positions taken off on improved market sentiment following the trade truce between the US and China.

Over the course of the quarter, we added to a wide range of existing holdings that offered good value after being sold off on concerns around trade and the Huawei bans. These included semiconductor and related companies, **Micron Technology**, **Skyworks Solutions**, **Microchip Technology** and **Sumco**. Similarly, we added to auto and related businesses such as **BMW** and **Valeo**. New positions were added in **Ryanair** (European budget airline), **Owens Corning** (US building materials), and **BRF** (Brazilian producer of pork and poultry).

These purchases were funded by exiting positions in **Siemens** (German industrial conglomerate) and **Reliance Industries** (Indian Petrochemical and Telecoms), and trimming our holdings across a range of positions such as **Schibsted** (online classifieds), **Equifax** (US information systems) and **Alphabet** (owner of Google).

## Disposition of Assets

REGION	30 JUN 2019	31 MAR 2019	30 JUN 2018
Asia	37%	38%	34%
North America	24%	24%	17%
Europe	16%	20%	20%
Japan	10%	8%	16%
Australia	1%	1%	1%
Russia	0%	0%	0%
Cash	12%	9%	13%
Shorts	-24%	-11%	-16%

See note 4, page 18. Numbers have been subject to rounding adjustments.  
Source: Platinum Investment Management Limited.

## Net Sector Exposures <sup>^</sup>

SECTOR	30 JUN 2019	31 MAR 2019	30 JUN 2018
Financials	17%	17%	11%
Communication Services	12%	14%	15%
Materials	11%	13%	9%
Industrials	11%	12%	11%
Information Technology	8%	8%	9%
Energy	5%	7%	8%
Consumer Discretionary	5%	4%	7%
Health Care	3%	3%	6%
Real Estate	3%	3%	2%
Consumer Staples	1%	1%	2%
Utilities	0%	0%	2%
Other*	-13%	-2%	-11%
TOTAL NET EXPOSURE	64%	80%	71%

<sup>^</sup> A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.

\* Includes index short positions.

See note 5, page 18. Numbers have been subject to rounding adjustments.  
Source: Platinum Investment Management Limited.

## Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Ping An Insurance	China	Financials	4.1%
Samsung Electronics	Korea	Info Technology	3.6%
Facebook Inc	US	Comm Services	3.2%
Alphabet Inc	US	Comm Services	2.6%
TechnipFMC Ltd	UK	Energy	2.6%
Glencore plc	Switzerland	Materials	2.5%
China Overseas Land	China	Real Estate	2.5%
Lixil Group	Japan	Industrials	2.4%
Intel Corp	US	Info Technology	2.3%
Bharti Airtel Ltd	India	Comm Services	2.2%

As at 30 June 2019. See note 7, page 18.

Source: Platinum Investment Management Limited.

## Outlook

At quarter end, the valuations of the long positions in the Fund's portfolio compare favourably with market averages and our quantitative indicators lead us to believe that our portfolio is both more profitable and faster growing than our global universe of stocks. Further, our qualitative assessment is that the valuations of our individual holdings are not just attractive relative to the averages, but attractive on an absolute basis. It is these factors, which we judge our assessment of likely future returns, and result in us being optimistic about the Fund's returns over the medium to long term.

However, significant risks remain in the macroeconomic and market environment in the short term; in particular, US trade policy and the impact on global growth. Valuations in the crowded sectors of equity markets, the safe havens and the high growth stocks, are also cause for caution on broader markets.

## Net Currency Exposures

CURRENCY	30 JUN 2019	31 MAR 2019	30 JUN 2018
US dollar (USD)	43%	40%	23%
Japanese yen (JPY)	16%	14%	16%
Hong Kong dollar (HKD)	13%	13%	15%
British pound (GBP)	10%	12%	10%
Euro (EUR)	11%	11%	11%
Chinese yuan (CNY)	8%	8%	3%
Indian rupee (INR)	6%	7%	5%
Korean won (KRW)	5%	6%	6%
Canadian dollar (CAD)	2%	3%	2%
Norwegian krone (NOK)	2%	3%	2%
Swiss franc (CHF)	1%	2%	1%
Thai Baht (THB)	1%	1%	3%
Chinese yuan offshore (CNH)	-20%	-19%	0%

See note 6, page 18. Numbers have been subject to rounding adjustments.  
Source: Platinum Investment Management Limited.

# Platinum Asia Fund



Joseph Lai  
Portfolio Manager

## Performance

(compound pa, to 30 June 2019)

SHARE CLASS	QUARTER	1 YR	2 YRS P.A.	3 YRS P.A.	SINCE INCEPTION P.A.
PWP Asia Fund Class A USD	-1%	-4%	4%	-	9%
PWP Asia Fund Class B USD	-1%	-5%	4%	-	7%
PWP Asia Fund Class D USD	-1%	-5%	4%	10%	9%
PWP Asia Fund Class G GBP	2%	-	-	-	8%
PWP Asia Fund Class I USD	-1%	-4%	5%	-	10%
MSCI AC Asia ex Jp Index <sup>^</sup>	-1%	0%	5%	11%	10%

Fund returns are net of accrued fees and costs. Class D inception date (16 Nov 2015) is used for Index "since inception" returns.

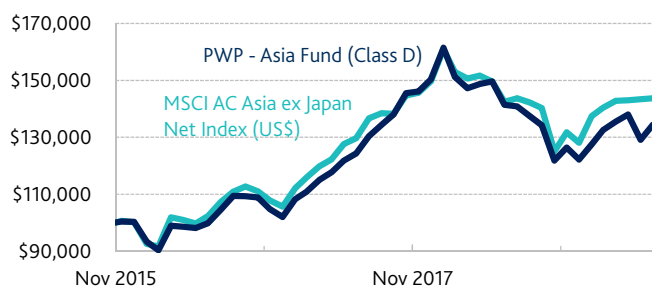
<sup>^</sup> Index returns are those of the MSCI All Country Asia ex Japan Net Index in USD. Source: Platinum Investment Management Limited, FactSet.

**Historical performance is not a reliable indicator of future performance.**

See notes 1 & 2, page 18.

## Value of US\$100,000 Invested Since Inception

16 November 2015 to 30 June 2019



After fees and costs. See notes 1 & 3, page 18.

**Historical performance is not a reliable indicator of future performance.**

Source: Platinum Investment Management Limited, FactSet.

After a strong start to the year, it was a somewhat lacklustre quarter for Asia markets. The Fund (Class D) has however returned 10.0% for the calendar year-to-date.

Given the negative market narrative of trade wars and a slowing global economy, the market has perhaps performed better than expected. Stabilisation of the Chinese economy, coupled with expectations of a synchronised easing in global interest rates is proving to be a much-needed tonic for the economic ills. These periods of market uncertainty provide contrarian investors like ourselves, with the perfect opportunity to acquire stocks at attractive prices.

Stocks that contributed positively to the Fund's performance during the quarter were largely Asian companies with strong balance sheets, which are proving to be remarkably resilient in a generally slower economic environment. **Meituan Dianping** (Chinese internet platform for lifestyle services) was up 29% over the quarter in local currency terms and **Ayala Land** (dominant Philippines property developer) was up 13%. Stocks that detracted from the Fund's performance were mainly US-listed Chinese stocks (ADRs<sup>1</sup>). While fundamentally robust and resilient, these companies were impacted by negative sentiment towards Chinese stocks. We expect some of these companies will opt for a secondary listing on the Hong Kong Stock Exchange, which should be positive for their valuations.

During the quarter, in anticipation of market volatility, we pre-emptively initiated short positions on the Korean and Taiwan equity markets, which helped to cushion some of the market weakness that resulted from the escalation in the trade war between the US and China.

## Changes to the Portfolio

At the beginning of the quarter, we took the opportunity to sell down a number of our strong performing stocks to lock in profits, which proved beneficial. The Fund's net invested position fell from 85% to a low of around 65% in May.

Following share price weakness, the Hong Kong and Chinese markets were trading on valuations significantly below their 15-year averages. We took advantage of the situation mid-way through the quarter and employed some of the cash

1 American Depositary Receipts

by adding to existing positions in high-quality companies, which were trading on exceptionally low valuations. These included, **Tencent** (value-added services and online advertising), **Samsung Electronics** and **SK Hynix** (semiconductor).

We also initiated new positions in various Hong Kong real estate companies, including **Sun Hung Kai Properties**, **New World Development**, and **Wheelock and Company**. These are premier Hong Kong based companies, which typically have very resilient and growing rental property businesses and enviable exposure to the Greater Bay Area in the southern part of China. These firms are expected to benefit from the Chinese government's plans to transform this area into the 'Silicon Valley' of China. Trading at significant discounts to book value and on high single digit price to earnings multiples, with dividend yields of around 4% p.a. (supported by recurrent rental income), these stocks are incredibly cheap, especially in a falling interest rate environment.

Overall, given the uncertainty surrounding the outcome of the trade war between the US and China and global markets, the Fund adopted a prudent approach over the quarter, holding an average of around 25% in cash and 3% short positions in stock indices, which we will continue to reduce at an appropriate time.

## Disposition of Assets

REGION	30 JUN 2019	31 MAR 2019	30 JUN 2018
China <sup>^</sup>	34%	43%	47%
Hong Kong	13%	10%	6%
Taiwan	4%	4%	1%
India	12%	12%	12%
Korea	9%	8%	11%
Thailand	4%	4%	4%
Philippines	3%	3%	2%
Vietnam	3%	3%	<1%
Malaysia	0%	<1%	<1%
USA	0%	<1%	0%
Singapore	0%	0%	1%
Indonesia	0%	0%	1%
Cash	18%	12%	15%
Shorts	-4%	-3%	-3%

<sup>^</sup> Inclusive of all mainland China-based companies, both those listed on exchanges within mainland China and those listed on exchanges outside of mainland China.

See note 4, page 18. Numbers have been subject to rounding adjustments. Source: Platinum Investment Management Limited.

## Commentary

Investing in Asia in recent years has felt very similar to the metaphor "The Road Less Travelled". To invest in interesting and attractively valued opportunities, we have needed to think differently from the crowd, especially during times of uncertainty and fear, and remain vigilant for opportunities. We have sought to lock in profits when sentiment was elevated.

In 2016, the UK's decision to exit the European Union (Brexit) following a referendum in June, and weak global growth weighed on markets. The extremely negative sentiment prompted the Chinese government to relax its policies to encourage infrastructure spending, property investment and consumption. At that time of market weakness, we increased our exposure to Asian equities and captured the rally in equity markets that unfolded in 2017. We generated a 47% return for our investors in the Fund in 2017.

The market's positive tone continued in the first half 2018 and we gradually took profits and reduced our exposure.

However, the optimism ended in the second half of 2018 with the Asian markets<sup>2</sup> producing a dismal return. China slowed down as the shadow banking reforms, which restricted lending, began to impact the economy and the trade war erupted. By October 2018, when pessimism was at its worst,

<sup>2</sup> MSCI AC Asia Ex Japan Index

## Net Sector Exposures <sup>^</sup>

SECTOR	30 JUN 2019	31 MAR 2019	30 JUN 2018
Financials	21%	25%	22%
Consumer Discretionary	16%	18%	10%
Communication Services	14%	15%	12%
Information Technology	12%	10%	5%
Real Estate	10%	6%	6%
Consumer Staples	0%	3%	3%
Industrials	3%	3%	6%
Health Care	2%	3%	3%
Utilities	1%	1%	4%
Materials	1%	1%	5%
Energy	0%	1%	9%
Other*	-2%	-1%	-3%
TOTAL NET EXPOSURE	77%	85%	81%

<sup>^</sup> A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.

\* Includes index shorts and other positions.

See note 5, page 18. Numbers have been subject to rounding adjustments. Source: Platinum Investment Management Limited.

we felt it was time to add stocks again. We enjoyed a brief, but powerful rally in equities in early 2019.

As mentioned above, we reduced our exposures again recently as we felt the market was too bullish as trade relations between US and China deteriorated.

The question today is - where to from here?

With regards to the US and China trade conflict, it's worth noting that China's exports to the US only represent 4% of China's national output (i.e. GDP). US-imposed tariffs on China therefore in themselves do not have a major **direct** impact on the Chinese economy. China has a huge domestic market and 96% of China's output goes to markets outside the USA.

However, trade uncertainty is having an **indirect** impact nonetheless on business confidence and consumer sentiment. It not only impacts China, but also the rest of the world. The inter-connectivity of the global economy means there is a huge third-order effect to other countries that supply and manufacture goods and parts for Chinese and US products. Businesses are unlikely to invest when the demand for their products is uncertain. Likewise, consumers will be hesitant to spend (i.e. buy a new car or mobile phone) if they are uncertain about their job.

In this complex situation, there will emerge winners and losers. To the extent some of the factories will migrate out of China, it will be a small loss for China, but it will represent large gains for surrounding countries with low labour costs. Vietnam for example, is seeing double-digit growth for the

same types of Chinese products that the US had imposed tariffs on. We added to our positions in Vietnam during the quarter.

At a company level, the US government's decision to add Chinese telecommunications company, Huawei to an "Entity List", which prohibits US companies from conducting business with it, presented opportunities for other companies to benefit. Samsung Electronics for instance, which was trading on book value and 13x price to earnings based on cyclical depressed earnings – offered great value. To the extent Huawei could lose market share in smartphones in Europe, Samsung is ready to capture it. We added to our position in Samsung at lower prices.

One of the major constants in Asia is change. Change can create opportunities. When there is fear in the market, we try to think differently i.e. we take the road less travelled.

The two main themes we are focusing on are:

1. Beneficiaries of the trade conflict.
2. Good quality companies with inherent growth - even in a slowing global economy.

Let's be clear. Taking the road less travelled does not simply mean positioning towards adventure and risk. In most cases, it means buying what we believe are companies with strong balance sheets at cheap prices.

The prospect of a slow growing global economy due to trade uncertainty, and global central banks cutting rates aggressively to zero in the absence of inflation, is a reality we face.

## Net Currency Exposures

CURRENCY	30 JUN 2019	31 MAR 2019	30 JUN 2018
US dollar (USD)	51%	49%	29%
Hong Kong dollar (HKD)	33%	29%	36%
Indian rupee (INR)	12%	10%	9%
Korean won (KRW)	9%	8%	11%
Chinese yuan (CNY)	2%	8%	7%
Taiwan new dollar (TWD)	6%	5%	1%
Thai baht (THB)	-1%	4%	4%
Philippine piso (PHP)	-5%	3%	2%
Vietnamese dong (VND)	3%	3%	<1%
Malaysian ringgit (MYR)	0%	<1%	<1%
Australian dollar (AUD)	0%	0%	0%
Chinese yuan offshore (CNH)	-10%	-19%	0%

See note 6, page 18. Numbers have been subject to rounding adjustments.  
Source: Platinum Investment Management Limited.

## Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group	China	Cons Discretionary	4.7%
Tencent Holdings	China	Comm Services	4.4%
Samsung Electronics	Korea	Info Technology	4.2%
Taiwan Semiconductor	Taiwan	Info Technology	3.9%
AIA Group Ltd	Hong Kong	Financials	3.8%
Ping An Insurance	China	Financials	3.7%
Kasikornbank PCL	Thailand	Financials	2.9%
Meituan Dianping	China	Cons Discretionary	2.9%
Axis Bank Limited	India	Financials	2.8%
Autohome Inc	China	Comm Services	2.5%

As at 30 June 2019. See note 7, page 18.

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-Asia-Fund](http://www.platinumworldportfolios.ie/The-Funds/PWP-Asia-Fund).

However, the longer-term fundamentals are still very favourable in the Asia region. With income per capita still very low in China (around US\$10,000 per person in 2018) and India (around US\$2,000 per person) versus an average of US\$40,000 for OECD members<sup>3</sup>, it will take a great deal to disrupt growth in these countries' living standards. Both governments are investing heavily in infrastructure, education and technology off a relatively low base, driving economic growth and subsequently higher income levels for many years to come.

India has cleaned up its banking system, implemented the goods and services tax (GST) and introduced a workable bankruptcy code. Reforms to open up the economy are continuing and these will drive internally generated growth.

In 10 years' time, the banking industry landscape in India will likely be akin to that of Australia, in which a handful of well-run private banks will dominate the market. One stock held in the Fund that is benefiting from the bank reforms, is **Axis Bank**. Axis is one of India's private banks that is taking market share, competing against the less-than-competent state-owned banks. We expect Axis Bank's earnings will increase significantly over the next three years, and is trading on just 20x earnings and 2.5x book value.

China continues to reform its economy by cleaning up the banking system, opening up industries to foreign competition and encouraging technology development.

Life insurance company, **AIA** is a good example of a company that we expect will benefit from China opening up its market. At present, AIA only operates in five out of the 36 Chinese provinces. It is growing insurance premiums by 25% a year and its expansion into the remaining 31 provinces is expected to provide significant upside to growth. It has done very well

selling quality products that understand the needs of customers. We estimate earnings will continue to grow at double digits for a long time, and is trading on just 15x earnings.

## Outlook

While uncertainty and risks always exist in investing, what is certain is that valuations of Asian stocks are attractive again.

A trade truce was reached between the US and China at the 2019 G20 Summit in Osaka at the end of June, with both superpowers agreeing to recommence trade negotiations. China's Huawei also received a reprieve on some of the trade restrictions imposed by the US. Uncertainty has paralysed decision making for businesses and consumers alike. While it is unlikely to supercharge the economic cycle, these developments reduce the prospect of a stalling in economic activities in the region.

With decelerating economic growth globally, central banks in many countries have started cutting interest rates. This marks an interesting turning point for the region. With many of its currencies linked to the US dollar, the region's interest rate policies reflected the US policies, which has been tightening over the last three years. The US Federal Reserve has shifted its stance in recent months away from further tightening, with the markets now pricing in interest rate cuts in 2019. This reversal is a positive for the region's asset markets and currency value.

Given the likelihood of improving economic prospects and attractive valuations, the Fund has deployed some of the cash raised into existing and new stock positions, and plans to continue to invest in quality companies with resilient characteristics. **Taking the road less travelled may make a difference.**

<sup>3</sup> Source: World Bank, 2018

# Platinum Japan Fund



Scott Gilchrist  
Portfolio Manager

## Performance

(compound pa, to 30 June 2019)

SHARE CLASS	QUARTER	1 YR	2 YRS P.A.	3 YRS P.A.	SINCE INCEPTION P.A.
PWP Japan Fund Class A USD	4%	-4%	2%	9%	8%
PWP Japan Fund Class B USD	4%	-5%	2%	-	6%
PWP Japan Fund Class D USD	4%	-5%	2%	10%	8%
PWP Japan Fund Class F EUR	2%	-2%	-	-	-2%
MSCI Japan Net Index (USD)	1%	-4%	3%	8%	5%

Fund returns are net of accrued fees and costs. Class D inception date (16 Nov 2015) is used for Index "since inception" returns.

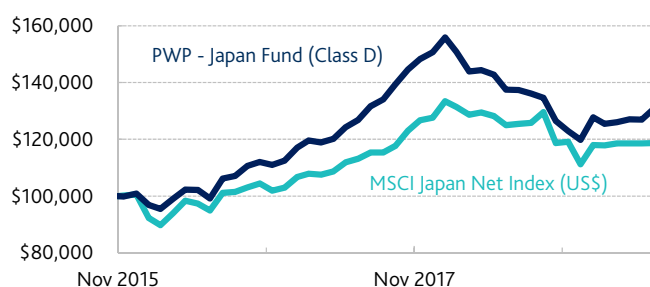
^ Index returns are those of the MSCI Japan Net Index in USD.

Source: Platinum Investment Management Limited, FactSet.

**Historical performance is not a reliable indicator of future performance.** See notes 1 & 2, page 18.

## Value of US\$100,000 Invested Since Inception

16 November 2015 to 30 June 2019



After fees and costs. See notes 1 & 3, page 18.

**Historical performance is not a reliable indicator of future performance.**

Source: Platinum Investment Management Limited, FactSet.

The Fund (Class D) returned 3.8% for the quarter and -4.9% for the year. This is against the backdrop of a weak Japanese stock market, with the Index returning 1.0% over the quarter and -4.2% over the year.

The Fund's strong performance over the quarter occurred despite conservative positioning, with an average 59% net invested position. Stocks that provided a positive contribution to performance included **Nintendo** (console games, +25%), **Rakuten** (e-commerce, +22%), **KDDI** (telecommunications, +15%), **DeNa** (internet, +24%) and **Lixil** (housing and bathroom products, +15%).

Japanese government bond prices rose to record highs over the quarter. In a further reflection of general investor nervousness, the gold price reached record highs in some currencies, and the global stock of bonds with negative yields reached new highs, climbing to US\$13 trillion. The Japanese market is particularly sensitive to this type of environment due to decades of failed monetary experiments and embedded memory of the country's own debt bubble.

This market environment is presenting many opportunities and the portfolio is gradually shifting to a mix of high quality companies at multi-decade low valuations and reasonably priced growth companies.

## Commentary

The inter-generational conflict in Japan is bubbling to the surface. Even the more rational members of the older generations sometimes express discomfort with the outrageous behaviours of their own generation. They feel conflicted by the dissonance between the past and what the future will bring.

This was clearly on display at the recent Lixil annual general meeting (AGM). In an outstanding result for shareholders, the proposed alternative slate of Directors was elected. Seto-san, the re-instated CEO, was at his desk at six am the next morning. Nevertheless, it was an outcome achieved with compromise, with some of the company's existing Directors also voted onto the Board. Hopefully, they will accept the outcome and work collaboratively for positive outcomes for the company, society and shareholders. Seto-san faces an enormous business challenge, one that he has been pondering from the sidelines. He brings a clear plan and

boundless energy to the task. The potential prize is significant, from both the starting valuation, and the long-term business opportunity. If Lixil's Board changes and executive appointments deliver successful outcomes, the accelerated trajectory towards significantly better corporate governance in Japan is likely irreversible.

Following the recent G20 meeting in Osaka, the upcoming 2019 Rugby World Cup in Japan is already being discussed as a success ahead of the Olympic Games in Tokyo next year. Kerr Neilson and I recently spent eight days in Tokyo and Nagoya with a full schedule of company visits, including many companies currently held in the portfolio. The hotels were busy and staff shortages were evident in some areas of the economy. The Shinkansen bullet train network is a marvel, as is the range, quality and variety of food on offer across the country. A small earthquake did not disrupt our advances. Similarly, the entrance of private equity has accelerated following broad success by early movers.

However, despite the obvious and profound changes across the country, there is widespread disinterest in the Japanese stock market from most parties. Older portfolio managers are retiring rather than face yet another decade of investing in Japan. It feels like a broad exodus from Japanese equities. Perhaps the most illuminating example was a 7% share repurchase announcement that was greeted with yawning indifference while on the same day, a presentation with a herd of 'unicorns'<sup>1</sup> depicting exponential growth was seen as exciting.

<sup>1</sup> Young start-up companies that have billion-dollar valuations, which are yet to list on the stock exchange or be sold to a larger company.

Japan remains a highly functional and organised constitutional monarchy, similar to the UK. It's interesting to compare and contrast the different outcomes achieved by the two countries. My recent private tours of the Palaces of Westminster and Windsor coincided with the protests in Hong Kong, which highlighted the disparity of institutional strength between the deep and rich history of steadier nations, relative to more disorderly and disjointed historical paths. While it may indeed be the Asian Century, it won't be an uneventful linear path.

With each central bank decision across the globe, their invidious position becomes clearer. The banks are crushed between two main thrusts and a historically high debt burden. On one vector is the large wage differential between the developing and developed world, perhaps an order of magnitude difference. This leads to ongoing pressure on developed world wages, even at the high end, resulting in the proliferation of 'side hustles'. At the same time, low interest rates reduce income for older generations who have saved and are now choosing to extend their working lives. Low interest rates also don't allow banks to adequately price credit risk and thus lead to undesirable outcomes as they chase growth and returns. Economic cycles become asset price cycles.

The other dynamic is the broad and ever-present disruption. This was clearly evident throughout our meetings in Japan. PKSHA Technology is selling Artificial Intelligence algorithm chat bots, which can reduce call centre staff by 30%. Toyota is leading its extended group through an extensive program of electrification and automation. Komatsu has led the global industry in driverless mining trucks similar to Rio Tinto's achievement in automating its Pilbara rail system. Rakuten is



Great Wave, Hokusai, 1801. <https://mag.japaaan.com/archives/62662>

## Disposition of Assets

REGION	30 JUN 2019	31 MAR 2019	30 JUN 2018
Japan	76%	76%	94%
Korea	5%	6%	0%
Cash	19%	18%	6%
Shorts	-25%	-20%	-1%

See note 4, page 18. Numbers have been subject to rounding adjustments.  
Source: Platinum Investment Management Limited.

## Net Sector Exposures <sup>^</sup>

SECTOR	30 JUN 2019	31 MAR 2019	30 JUN 2018
Consumer Discretionary	19%	14%	14%
Communication Services	16%	17%	10%
Information Technology	12%	12%	20%
Industrials	10%	10%	20%
Materials	4%	4%	9%
Energy	3%	4%	6%
Health Care	2%	3%	5%
Financials	2%	3%	9%
Real Estate	0%	<1%	0%
Consumer Staples	-2%	-5%	<1%
Other*	-10%	0%	0%
TOTAL NET EXPOSURE	57%	63%	93%

<sup>^</sup> A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.

\* Includes index shorts and other positions.

See note 5, page 18. Numbers have been subject to rounding adjustments.  
Source: Platinum Investment Management Limited.

## Net Currency Exposures

CURRENCY	30 JUN 2019	31 MAR 2019	30 JUN 2018
Japanese yen (JPY)	86%	92%	99%
US dollar (USD)	26%	34%	1%
Korean won (KRW)	3%	-7%	0%
Australian dollar (AUD)	-16%	-19%	0%

See note 6, page 18. Numbers have been subject to rounding adjustments.  
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit [www.platinumworldportfolios.ie/The-Funds/PWP-Japan-Fund](http://www.platinumworldportfolios.ie/The-Funds/PWP-Japan-Fund).

building a next-generation network with broad efficiencies, which will lead to disruptive innovation across a wide range of industries. Similarly, CyberAgent (internet media services), Ocado (online grocery supermarket) and ZoZo (online fashion) are building alternatives to existing networks. Robots and factory automation continue to spread. Oracle is bringing cloud computing to the Japanese enterprise market, while Amazon Web Services is now a US\$30 billion business, up from US\$1.8 billion in 2012, and growing at an unbelievable rate of 40% p.a.. Japanese companies are helping to bring shale gas and liquids to the world in the form of liquefied natural gas (LNG) and low-cost chemicals, while shale oil production continues to grow. Change has been ever-present over the centuries but it has accelerated in recent decades and its effects are far reaching.

## Outlook

Sentiment surrounding the Japanese stock market is undoubtedly weak. Both domestic and international investors are positioned conservatively, and in many cases are completely disengaged. This posture is commensurate with both the current weak global economic environment and the historical context of an almost three decade long bear market.

What is absent so far in this cycle, is complete price and valuation capitulation. Current valuations are not far from prior trough valuations. This is not a baseless conjecture, as the combination of two decades of compounded corporate growth, internal reorganisation and disruptive advances, together with the clearly improved corporate governance environment combine for a completely different outlook compared with prior decades.

The Fund will be taking advantage of any future market weakness to transition the portfolio to being fully invested.

## Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Rakuten Inc	Japan	Cons Discretionary	4.5%
Takeda Pharma Co	Japan	Health Care	4.1%
Kangwon Land	Korea	Cons Discretionary	3.7%
NTT	Japan	Comm Services	3.6%
Oracle Japan	Japan	Info Technology	3.5%
KDDI Corporation	Japan	Comm Services	3.3%
Nintendo Co Ltd	Japan	Comm Services	3.3%
Kyocera Corp	Japan	Info Technology	3.0%
Itochu Corporation	Japan	Industrials	3.0%
JXTG Holdings Inc	Japan	Energy	2.9%

As at 30 June 2019. See note 7, page 18.

Source: Platinum Investment Management Limited.

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## NOTES

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935). Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated using the Fund's net asset value per share (which does not include 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 represent the combined income and capital returns attributable to the specified share class over the specified period. They are net of accrued fees and expenses attributable to the specified share class, are pre-tax, and assume the accumulation of the net income and capital gains attributable to the specified share class.

The MSCI Index returns are inclusive of net official dividends, but, unlike Fund returns, do not reflect fees or expenses. Platinum does not invest by reference to the weighting of any Index. The Fund's underlying assets are chosen through Platinum's individual stock selection process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index. Index returns are provided as a reference only.

Fund returns have been provided by Platinum Investment Management Limited; MSCI Index returns have been sourced from FactSet.

The investment returns shown are historical and no warranty can be given for future performance. Past performance is not a reliable indicator of future performance. Due to the volatility of the Fund's underlying assets and other risks 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 relevant Fund are as follows:

- Platinum World Portfolios - International Fund:

Class A USD (Accumulating) (ISIN: IE00BYRGQX37): 27 April 2016  
 Class D USD (Accumulating) (ISIN: IE00BYRGQZ50): 16 November 2015  
 Class G GBP (Accumulating) (ISIN: IE00BYRGR290): 27 April 2016

Class B USD (Accumulating) (ISIN: IE00BYRGR076): 2 December 2016  
 Class F EUR (Accumulating) (ISIN: IE00BYRGR183): 4 April 2017  
 Class H GBP (Accumulating) (ISIN: IE00BYRGR308): 4 August 2016

- Platinum World Portfolios - Asia Fund:

Class A USD (Accumulating) (ISIN: IE00BYRGR522): 10 March 2017  
 Class D USD (Accumulating) (ISIN: IE00BYRGRD06): 16 November 2015  
 Class I USD (Accumulating) (ISIN: IE00BYMJ5524): 19 January 2017

Class B USD (Accumulating) (ISIN: IE00BYRGR639): 20 April 2017  
 Class G GBP (Accumulating) (ISIN: IE00BYRGRB81): 19 February 2019

- Platinum World Portfolios - Japan Fund:

Class A USD (Accumulating) (ISIN: IE00BYRGRF20): 11 January 2016  
 Class D USD (Accumulating) (ISIN: IE00BYRGRJ67): 16 November 2015

Class B USD (Accumulating) (ISIN: IE00BYRGRH44): 23 December 2016  
 Class F EUR (Accumulating) (ISIN: IE00BYRGLR89): 18 October 2017

The MSCI Index returns are in US Dollars and are inclusive of net official dividends. For the purpose of calculating the "since inception" returns of the 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. the positions listed other than "cash" and "shorts") represents, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.
5. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices.
6. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards and derivatives. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
7. The table shows the Fund's top 10 long equity positions as a percentage of the Fund's net asset value, taking into account direct securities holdings and long stock derivatives. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

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PLATINUM WORLD PORTFOLIOS PUBLIC LIMITED COMPANY

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

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