



Quarterly Investment Manager's Report

Platinum World Portfolios - Asia Fund

31 March 2021

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by Andrew Clifford, Co-Chief Investment Officer

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Performance

to 31 March 2021

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 - Asia Fund								
Class A (USD)	26.1	1.6%	63.7%	23.6%	12.2%	-	16.7%	10 Mar 2017
Class B (USD)	5.5	-	-	-	-	-	-	27 Jan 2021
Class D (USD)	15.1	1.3%	64.0%	23.5%	12.0%	15.9%	14.5%	16 Nov 2015
Class E (EUR)	0.8	5.7%	-	-	-	-	-	16 Oct 2020
Class F (EUR)	0.4	5.6%	54.2%	-	-	-	35.7%	3 Feb 2020
Class G (GBP)	2.0	0.8%	47.6%	19.6%	-	-	21.7%	19 Feb 2019
Class I (USD)	176.8	1.7%	64.1%	23.8%	12.4%	-	17.5%	19 Jan 2017
MSCI AC Asia ex Japan Net Index (USD) ⁽¹⁾		2.7%	57.3%	16.7%	8.9%	13.8%	13.1%	16 Nov 2015
MSCI AC Asia ex Japan Net Index (USD) (EUR) ⁽²⁾		6.9%	46.9%	-	-	-	-	3 Feb 2020
MSCI AC Asia ex Japan Net Index (USD) (GBP) ^(2,3)		1.8%	41.4%	13.4%	-	-	14.6%	19 Feb 2019

(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 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 12.

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

Macro Overview

by Andrew Clifford, Co-Chief Investment Officer

Challenging Times for the Market's Speculative Elements

We are now one full year on from the COVID-19 outbreak and the subsequent initial lockdowns that resulted in a collapse in global economic activity and stock markets. While the pathway of the virus has been one of rolling waves in response to lockdowns, reopenings and now the rollout of vaccines, since the March 2020 lows, economic activity has experienced a strong and steady recovery, as have stock markets. Indeed, many of the world's major stock markets have comfortably surpassed their pre-COVID highs.¹ Fuelling this recovery in both economies and stock markets has been unprecedented (peace time) government deficit spending, funded through the printing of money.

The question is, where to now? **It is highly likely that the global economy will continue its strong recovery path over the course of the next two years. In concert with this recovery, government bond yields will likely head higher, which will prove challenging for the speculative elements within stock markets.**

Economic activity will likely continue to recover

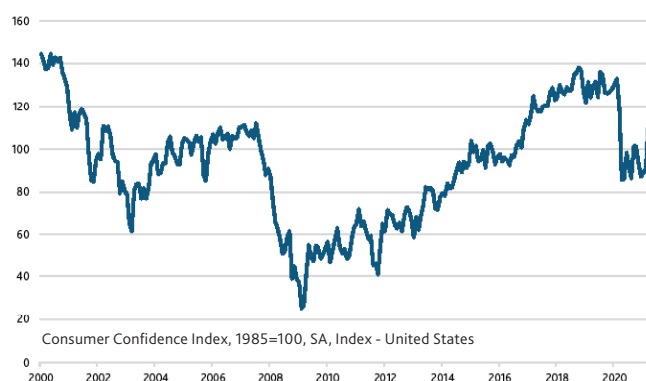
There are numerous reasons to expect that global economies will continue to recover. The most obvious is the ongoing

reopening of economies, as vaccination programs take us toward the post-COVID era. With current headlines focused on the failure of vaccination rollouts and the outbreak of new variants of the virus, this may seem an overly optimistic statement to many. However, the success of the vaccination programs in the US and the UK, where 32% and 46% of each population respectively has received at least one vaccine dose, shows what can be achieved once health systems swing into gear.² Where vaccination programs have been slow to start in some locations, such as Europe, an acceleration is likely, especially as the availability of dosages continues to improve. Variants in the virus are an expected setback, but fortunately the vaccines are being refined to address the variants, as they normally would with the annual flu vaccine.

Over the course of 2021, it is highly likely that we will move toward a situation where we return to freedom of movement across the world's major economies. With this, we expect industries such as travel and leisure will continue their recovery, and with that, elevated levels of unemployment will continue to fall. With a light at the end of the tunnel on COVID and rising employment, consumer confidence has started to bounce back (see Fig. 1). As such, a release of pent-up consumer demand across a range of goods and

¹ Source: FactSet Research Systems.

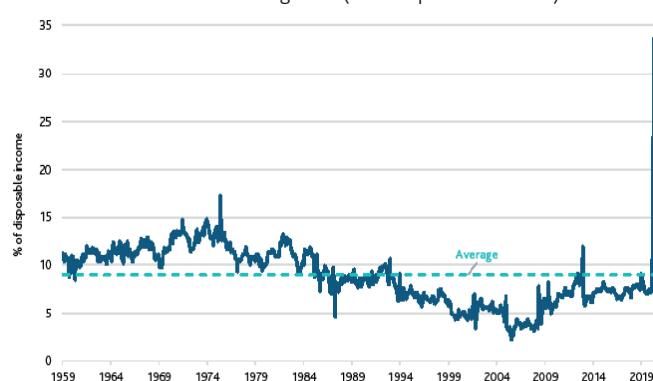
Fig. 1: US Consumer Confidence Bouncing Back
The Conference Board Consumer Confidence Index®



Source: FactSet Research Systems.

² Source: <https://ourworldindata.org/covid-vaccinations#what-share-of-the-population-has-received-at-least-one-dose-of-the-covid-19-vaccine>

Fig. 2: US Households Well-Positioned to Spend
US household savings rate (% of disposable income)



Source: Federal Reserve Bank of St. Louis.

services should be expected. Indeed, households are well-positioned to increase their spending, as large portions of government payments last year were saved and not spent, resulting in unprecedented increases in savings rates (see Fig. 2 on previous page).

Additionally, in the US, consumers' bank accounts will be further inflated, with the recent passing of the US\$1.9 trillion fiscal package. It is estimated that US consumers would need to spend an additional US\$1.6 trillion dollars, or 7.5% of GDP,³ just to return to trend savings levels. The recovery from the COVID-19 collapse is likely to be a very strong rebound that will play out over the next two to three years.

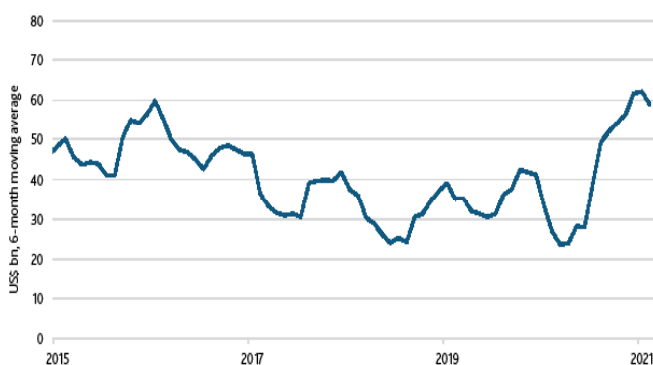
Given the levels of fiscal and monetary stimulus across the globe during 2020 and 2021 to date, the US will be at the epicentre of the recovery. The ongoing stimulus efforts in the US, including a potential additional US\$3 trillion of spending on infrastructure and healthcare over the next decade, make the rest of the world's efforts pale into insignificance. Indeed, China appears to be stepping back from stimulus programs, having already achieved a strong economic recovery. Nevertheless, the US stimulus will help growth in Asia and Europe via the trade accounts, as is already apparent in the strong recovery in China's trade surplus (see Fig. 3).

Long-term interest rates will likely move higher with the recovery

As a result of the strong rebound in economic activity, interest rates will likely rise and indeed, they already have. The reference here is to long-term interest rates, such as the yield on the US 10-year government bond, rather than short-term interest rates set by central banks. In the fastest-recovering economies, US 10-year government bond yields

3 <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/consumers-to-unleash-trillions-of-dollars-in-excess-savings-when-pandemic-ends-62511820>

Fig. 3: China's Trade Surplus Expands



Source: FactSet Research Systems.

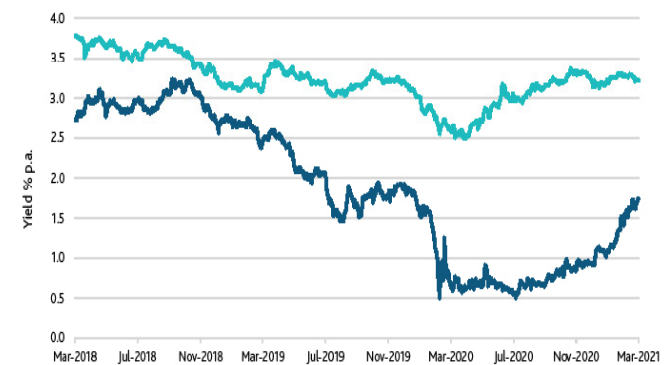
have increased from 0.51% in August 2020 to 1.74% at the end of March, while Chinese 10-year government bond yields have risen from their April 2020 lows of 2.50% to 3.21% at the end of March (see Fig. 4). In both cases, these yields have returned to pre-COVID levels. It is not surprising that yields on government bonds are rising, as this is generally the case during a recovery. The issue is just how much further they may rise, given expectations for a very robust growth environment in 2021, the substantial amount of new bonds that will be issued in the months ahead and nascent signs of inflationary pressures.

Daily readings of consumer prices already show inflation heading back to levels last seen in mid-2019. As we discussed in our December 2020 quarterly report,⁴ markets in a broad range of commodities and manufactured goods are seeing shortages in supply, resulting in significant increases in prices. One high-profile example has been the auto industry having to cut production due to shortages in the supply of components. Given the complexity of supply chains and the various factors that have been impacting them in recent years, such as the trade war and then the sudden collapse and recovery in demand in 2020, predicting how long such shortages will persist is difficult. However, it is interesting that these price rises, usually associated with the end of an economic cycle, are occurring at the start of the cycle instead.

Beyond the current supply shortages and associated price rises, the longer-term issue for inflation is how governments will finance their fiscal deficits. As we have discussed in past quarterly reports, when governments use the banking system (including their central banks) to finance deficits, it results in the creation of new money supply. The idea that the creation of money supply in excess of economic growth is inflationary,

4 https://www.platinumworldportfolios.ie/PlatinumSite/media/Fund-Updates-and-Reports/pwpqtr_1220.pdf

Fig. 4: US and China 10-Year Bond Yields on the Rise



Source: FactSet Research Systems.

has lost credibility in recent years, as inflation didn't arrive with the quantitative easing (QE) policies of the last decade. However, the mechanisms by which banking systems are funding current fiscal and monetary policies of their governments are clearly different to what was applied during QE. Rather than delve into a deep explanation, we would simply point to the extraordinary growth in money supply aggregates, where in the US, M2⁵ increased by a record annual rate of 25% almost overnight in mid-2020. These types of increases did not occur during the last decade of QE policies. Further growth in M2 awaits in the US, following the latest rounds of fiscal stimulus, though the percentage growth figures will at some point fall away as we pass the anniversary of last year's outsized increases.

So, we have a strong economic recovery from the ongoing reopening post COVID, fuelled by fiscal stimulus, already tight markets in commodities and manufactured goods, plus excessive money growth. Given that we also have central banks committed to keeping short-term interest rates low for the foreseeable future and allowing inflation to exceed prior target levels, it is hard to see how we can avoid a strong cyclical rise in inflation. It is an environment where there is likely to be ongoing upward pressure on long-term interest rates. To see US 10-year Treasury yields above 3%, a level last seen in only 2018, would not be a surprising outcome.

Rising long-term interest rates will represent a challenge for the bull market in growth stocks

In recent years, we have emphasised the two-speed nature of stock markets globally. As interest rates fell and investors searching for returns entered the market, their strong preference was for 'low-risk' assets. At different times they have found these qualities in defensive companies, such as consumer staples, real estate and infrastructure, and at other times, in fast-growing businesses in areas such as e-commerce, payments and software. At the same time, investors have been at pains to avoid businesses with any degree of uncertainty, whether that be natural cyclicality within their business or exposed to areas impacted by the trade war. Last year, this division was further emphasised along the lines of 'COVID winners', such as companies that benefited from pantry stocking or the move to working from home, and 'COVID losers', such as travel and leisure businesses.

Over the last three years, these trends within markets created unprecedented divergences in both price performance and valuations within markets. However, as we noted last quarter, this trend started to reverse at the end of 2020, as a combination of successful vaccine trials and the election of US President Biden pointed to a clearly improved economic outlook. The result was 'real world' businesses in areas such as semiconductors, autos and commodities started to see their stock prices perform strongly and this has continued into the opening months of 2021.

Meanwhile, the fast-growing favourites continued to perform into the new year, though these have since faded as the rise in bond yields accelerated. Many high-growth stocks have seen their share prices fall considerably from their recent highs, with bellwether growth stocks such as Tesla (down 27% from its highs) and Zoom (down 45%).⁶

Theoretically, rising interest rates have a much greater impact on the valuation of high-growth companies than their more pedestrian counterparts. As such, it is not surprising to see these stocks most impacted by recent moves in bond yields and concerns about inflation.⁷ Many will question whether this is a buying opportunity in these types of companies. While they may well bounce from these recent falls, we would urge caution on this front, as for many (but not all) of the favourites of 2020 we would not be surprised to see them fall another 50% to 90% before the bear market in these stocks is over. If our concerns regarding long-term interest rates come to fruition, this will be a dangerous place to be invested, and as we concluded last quarter, "***when a collapse in growth stocks comes, it too should not come as a surprise***".

⁶ Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems.

⁷ Growth companies tend to rely on earnings in the more distant future. When valuing a company, future earnings are discounted back to a present value using a required rate of return, which is related to bond yields. As bond yields rise, the discounting process leads to a lower value in today's dollars, for the same level of future earnings.

⁵ M2 includes M1 (currency and coins held by the non-bank public, checkable deposits, and travellers' cheques) plus savings deposits (including money market deposit accounts), small time deposits under \$100,000, and shares in retail money market mutual funds.

Source: <https://fred.stlouisfed.org/series/M2SL>

If there is a major bear market in the speculative end of the market, how will companies that investors have been at pains to avoid in recent years (i.e. the more cyclical businesses and those that have been impacted by COVID-19) perform? While these companies have seen good recoveries in their stock prices in recent months, generally they remain at valuations that by historical standards (outside of major economic collapses) are attractive. It should be remembered there are two elements to valuing companies: interest rates and earnings. Of these, the most important is earnings, and these formerly unloved companies have the most to gain from the strong economic recovery that lies ahead. As such, we would expect good returns to be earned from these businesses over the course of next two to three years.

For many, the idea that one part of the market can rise strongly while the other falls, seems contradictory, even though that is exactly what has happened over the last three years. In this case, for reasons outlined in this report, we are simply looking for the relative price moves of the last three years to unwind. We only need to look to the end of the tech bubble in 2000 to 2001 for an indication of how this may play out - when the much-loved 'new world' tech stocks collapsed in a savage bear market, while the out-of-favour 'old world' stocks rallied strongly. This was a period where our investment approach really came to the fore, delivering strong returns for our investors.

MSCI Regional Index Net Returns to 31.3.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	4.6%	54.6%
Developed Markets	4.9%	54.0%
Emerging Markets	2.3%	58.4%
United States	5.4%	58.6%
Europe	4.0%	44.7%
Germany	4.2%	59.3%
France	4.4%	50.0%
United Kingdom	6.2%	33.5%
Italy	6.3%	53.0%
Spain	1.0%	36.9%
Russia	4.9%	44.3%
Japan	1.6%	39.7%
Asia ex-Japan	2.7%	57.3%
China	-0.4%	43.6%
Hong Kong	7.3%	37.3%
Korea	1.6%	89.5%
India	5.1%	76.4%
Australia	3.4%	68.4%
Brazil	-10.0%	46.5%

Source: FactSet Research Systems.

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

Historical performance is not a reliable indicator of future performance.

MSCI All Country World Sector Index Net Returns to 31.3.2021 (USD)

SECTOR	QUARTER	1 YEAR
Energy	17.7%	49.9%
Financials	11.4%	56.9%
Industrials	7.5%	62.2%
Communication Services	6.6%	57.4%
Materials	6.4%	76.6%
Real Estate	6.0%	30.1%
Consumer Discretionary	2.3%	77.7%
Information Technology	1.8%	71.7%
Utilities	0.6%	22.8%
Health Care	0.4%	30.2%
Consumer Staples	-0.8%	24.6%

Source: FactSet Research Systems.

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

Historical performance is not a reliable indicator of future performance.

Platinum Asia Fund



Andrew Clifford
Portfolio Manager*

Performance (compound p.a.⁺, to 31 March 2021)

SHARE CLASS	QUARTER	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PWP Asia Fund Class A USD	2%	64%	12%	-	17%
PWP Asia Fund Class B USD	-	-	-	-	-
PWP Asia Fund Class D USD	1%	64%	12%	16%	14%
PWP Asia Fund Class E EUR	6%	-	-	-	-
PWP Asia Fund Class F EUR	6%	54%	-	-	36%
PWP Asia Fund Class G GBP	1%	48%	-	-	22%
PWP Asia Fund Class I USD	2%	64%	12%	-	17%
MSCI AC Asia ex Jp Index [^]	3%	57%	9%	14%	13%

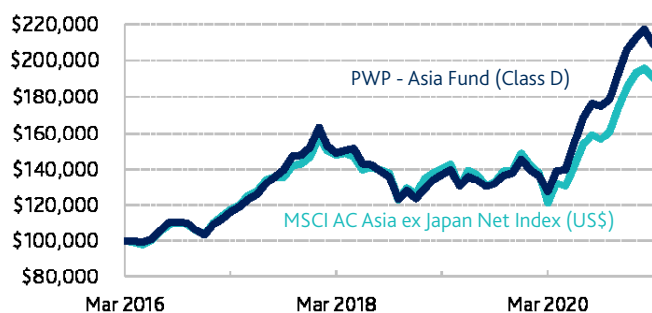
⁺ Excluding quarterly returns

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 All Country Asia ex Japan Net Index in USD. Source: Platinum Investment Management Limited, FactSet Research Systems.

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

31 March 2016 to 31 March 2021



After fees and costs. See notes 1 & 3, page 12.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet Research Systems.

The Fund (Class D) returned 1.3% over the quarter and 64.0% over the year.¹

An interesting factoid helps frame the quarter just past: the USA looks likely to grow faster than China for the first time since 1976.²

China is tightening at the margin, while the US is both reopening and providing fiscal stimulus. Indeed, Chinese officials are becoming vocal in their critiques of Western fiscal and monetary largesse: Guo Shuqing, chairman of the China Banking and Insurance Regulatory Commission, warned in February of speculative excess in US and European markets, and spoke of "[reducing] the high leverage within the financial system."³ We cannot help but be struck by the delicious irony of this, given the Chinese response to the global financial crisis (GFC).

With that in mind, it is understandable that the March quarter saw US dollar strength, commodity prices such as crude oil and copper pause in their ascent and Asian markets weaken in March, albeit posting positive returns over the quarter.

Given the somewhat economically sensitive nature of the portfolio, the Fund's recent strong performance paused in March, again though with positive performance over the quarter as a whole.

1 References to returns and performance contributions (excluding individual stock returns) in this PWP - Asia 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 Minack Advisers.

3 Ollari Consulting.

* Effective from 1 April 2021, Cameron Robertson will join Andrew Clifford as co-manager for the Fund. Cameron joined Platinum in 2010, initially focusing on resources and industrial companies, and later on the technology and communications sectors. Cameron was previously co-manager for the Platinum International Technology strategy (2017-2021).

Once again, **Taiwan Semiconductor Manufacturing (TSMC)** (+11% over the quarter) and **SK Hynix** (+12%) were among our largest contributors, as the semiconductor cycle goes from buoyant to extremely tight globally.

Chinese travel stocks **Huazhou Group** (+22%) and **Trip.com** (+17%) were also major contributors for the quarter, benefiting from strength in China's services sector late in its reopening from COVID-19 restrictions.

Ping An Bank (+14%) and **China Merchants Bank** (+21%) were significant contributors for the quarter, with both beneficiaries of economic resilience and resulting positive net interest margins in China.

China's ongoing recovery from COVID-19 saw Macau lift its final quarantine and travel restrictions for travellers from Mainland China in February, providing a boost to Gaming operators **Melco Resorts & Entertainment** (+7%) and **Galaxy Entertainment** (+16%).

Detractors in the March quarter included Indian holdings **Reliance Industries** (-4% to exit point) and **Maruti Suzuki** (-10%), amid the market impact of India's COVID-19 reacceleration. It is worth noting, Reliance was one of the Fund's top performers over the 12 months to 31 March 2021.

Chinese consumer discretionary-related companies **Midea** (-16%) and **ZTO Express** (-4% from first entry point), a new portfolio inclusion, were weak, fading after a strong January amid concern regarding Chinese tightening.

Changes to the Portfolio

Given the macro setting described above, we increased our exposure to the US dollar and Hong Kong dollar, at the expense of the Chinese yuan and Indian Rupee.

We continued trimming our holdings in semiconductor stocks **Samsung Electronics**, **TSMC** and **SK Hynix** amid very strong share price performance and an ongoing global shortage in DRAM chips. These have been excellent investments over the last three years and the story is far from over, but we have lowered overall exposure and breathless headlines about years of chip shortages leave us inclined to believe trimming is the prudent course of action.

We have added significant exposure to high-quality Chinese property developers, namely **China Vanke** and **China Resources Land**, which join fellow developer **China Overseas Land & Investment** in the Fund. We bought a new sizeable position in Chinese logistics firm **ZTO Express**, which stands to benefit from an improved competitive landscape and the ongoing march of Chinese consumption, in our view.

We lowered our exposure to India amid ongoing COVID-19 travails, exiting **Reliance Industries**. We also exited Chinese energy company **CNOOC** and Chinese telecommunications companies **China Telecom** and **China Mobile**.

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
China	42%	45%	52%
South Korea	11%	13%	8%
Hong Kong	7%	7%	6%
Taiwan	6%	7%	7%
India	5%	8%	3%
Vietnam	3%	3%	2%
Singapore	2%	1%	0%
Thailand	2%	1%	0%
Philippines	1%	2%	0%
Macao	1%	1%	0%
Cash	20%	12%	21%
Shorts	-8%	0%	-10%

See note 4, page 12. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Information Technology	18%	22%	17%
Consumer Discretionary	16%	20%	27%
Financials	13%	15%	8%
Industrials	12%	6%	3%
Real Estate	9%	5%	2%
Materials	4%	3%	1%
Consumer Staples	2%	2%	4%
Communication Services	2%	7%	9%
Health Care	1%	2%	3%
Energy	0%	3%	3%
Other	-5%	3%	-8%
TOTAL NET EXPOSURE	72%	88%	69%

See note 5, page 12. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Commentary

Despite the pause in the performance of Asian markets and the Fund in March, we do not see this as a turning point – the “value rotation” is far from over.

In the immediate term, there is some cause for concern that central banks globally are tightening at the margin, with the ending of the Supplementary Leverage Ratio (SLR) exemption in the US a particular focus. This allowed banks to hold Treasuries with no capital charge – exempting them from capital requirement calculations.⁴ There is the potential for this to see difficult Treasury auctions and rates increasing sharply – indeed we trimmed exposure in the Fund in advance of these concerns, as a yield spike in the US would be an effective global tightening and negative for Asian markets. However, this is not a “show stopper”. Firstly, the reopening of the global economy post COVID-19 is likely to continue. Secondly, trade uncertainty is much reduced under the Biden administration. Additionally, fiscal support is likely to continue for years – as we mention in the Macro Overview, US stimulus is likely to assist growth in Asia and Europe. In terms of the likely outcome of a spike in rates following the ending of the SLR exemption – the US Federal Reserve (Fed) is likely to use repos and bond buying – as occurred in late 2019.⁵ Put another way – if there is a hiccup, monetary policy officials are likely to run to the rescue. This is a very positive setup for growth-exposed Asian equities, potentially for several years.

While we were reducing exposure during the quarter, we did add notably to Chinese property developers. Investor sentiment toward the sector is negative, with the market appearing to believe that increased regulatory scrutiny on debt levels and home price limitations will hamper the profitability of developers for years to come. We see significant potential for consolidation, with higher-quality operators with stronger balance sheets poised to benefit in our view.

⁴ For more detail, see <https://www.cnn.com/2021/03/19/the-fed-will-not-extend-a-pandemic-crisis-rule-that-had-allowed-banks-to-relax-capital-levels.html>

⁵ See for instance the response of the Fed in the repo market in late 2019 here: <https://fred.stlouisfed.org/series/WORAL>

Net Currency Exposures

CURRENCY	31 MAR 2021	31 DEC 2020	31 MAR 2020
Chinese renminbi (CNY)	42%	45%	52%
Hong Kong dollar (HKD)	16%	8%	10%
United States dollar (USD)	13%	1%	11%
South Korean won (KRW)	11%	13%	8%
New Taiwan dollar (TWD)	6%	7%	6%
Vietnamese dong (VND)	3%	3%	2%
Indian rupee (INR)	3%	9%	-1%
Singapore dollar (SGD)	2%	1%	1%
Thai baht (THB)	2%	1%	0%
Philippine peso (PHP)	1%	2%	0%
Macanese pataca (MOP)	1%	1%	0%
UK pound sterling (GBP)	1%	0%	0%
Australian dollar (AUD)	0%	0%	10%
China renminbi offshore (CNH)	0%	8%	0%

See note 6, page 12. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	5.3%
Taiwan Semiconductor	Taiwan	Info Technology	4.8%
AIA Group Ltd	Hong Kong	Financials	3.5%
Ping An Insurance Group	China	Financials	3.3%
Weichai Power Co Ltd	China	Industrials	3.0%
SK Hynix Inc	South Korea	Info Technology	3.0%
China Resources Land	China	Real Estate	2.8%
Vietnam Ent Investments	Vietnam	Other	2.7%
Kingsoft Corp Ltd	China	Info Technology	2.7%
LG Chem Ltd	South Korea	Materials	2.6%

As at 31 March 2021. See note 7, page 12.

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.

During the quarter, it was announced that 22 cities in China would adopt a new policy to conduct land auctions for property development in three short windows each year. This will require more capital in short periods of time for property developers and may lower land prices – both would be beneficial to the larger property developers, we believe. Moreover, our research indicates the property developers are trading at close to record-low valuations – on low single-digit price-to-earnings ratios (P/Es) in many cases. This is an intriguing starting point.

We wrote about the regulatory crackdown on big tech in China in the December 2020 quarterly report.⁶ This appears to be affecting the behaviour of Alibaba. Chinese tech majors have long sought to establish “walled gardens” or exclusive ecosystems. Alibaba is now planning to set up a Taobao Deals lite app on Tencent’s WeChat service. Selling through WeChat would mean that merchants would be able to accept payments through WeChat Pay, a service that has not previously been available on Alibaba’s marketplaces. **Tencent** remains a significant holding and was a positive contributor in the March quarter. We continue to examine the investment case for Alibaba closely.

One slow moving reform program in China appears to be continuing, gradually. The Hukou, or residential permit, system is designed to prevent migrant workers from accessing services such as education or healthcare in any locale save that of their birth – meaning they may have to travel home for medical procedures, or send their children home to the village to be educated, or else pay upfront for such services if they can be accessed.⁷ There are an estimated 230 million internal migrants in Chinese cities without an urban Hukou.⁸ Recent changes across several Chinese cities have seen a relaxation of strict Hukou rules forcing migrants to stay in the same city for years to obtain an urban Hukou, providing: better access to healthcare for internal migrants in some cities; and exemptions from Hukou restriction for those with higher education.⁹ The relaxation of the Hukou system allows for freer movement of labour in China and should be positive for the economy. This will likely apply to China’s smaller cities – the so-called second and third tier cities – in our view.

⁶ https://www.platinumworldportfolios.ie/PlatinumSite/media/Updates-Reports/Asia/ptwaqtr_1220.pdf

⁷ <https://www.economist.com/china/2020/08/19/changes-to-chinas-hukou-system-are-creating-new-divides>

⁸ Ibid.

⁹ Source: Bernstein.

China’s economy continues to expand, as indicated by Purchasing Managers’ Index (PMI) data for March. The official manufacturing PMI came in at 51.9 and non-manufacturing was 56.3, Bloomberg reported in early April. China’s official PMI survey larger firms and skews more toward the state-owned sector. The Caixin China General Manufacturing PMI, which surveys smaller and more privately-owned firms, indicated a slower expansion with a reading of 50.6, while the non-manufacturing figure was robust at 54.3. Readings above 50 in PMIs indicate expansion.

We reduced exposure to India during the quarter. This is despite the fact that India’s Finance Minister Nirmala Sitharaman told India’s parliament that the budget deficit target for the year starting April will be 6.8% of GDP versus consensus forecasts of 5.5%. For 2020, the deficit will be 9.5% versus a planned 3.5%.¹⁰ The news saw equity markets respond positively and bond markets sell-off in India amid ongoing optimism about the reopening of the Indian economy and the boost it would receive from the announced fiscal stimulus in early February. By the end of the quarter, this market optimism had faded. Daily COVID-19 cases were running at over 90,000 in early April 2021, near the peaks recorded in India in September 2020.¹¹ We see potential for meaningful economic interruption as a result. As mentioned earlier, we exited **Reliance Holdings** during the quarter.

Outlook

We see the likelihood of ongoing economic buoyance as high. However, this will be subject to setbacks and policy mistakes. At the time of writing, we may be seeing both, in regard to COVID-19 in India (and Europe), and the potential for interest rate volatility due to the SLR exemption’s cessation. At such times, we think it will pay to remember that the drivers of economic recovery are durable – namely the post-pandemic reopening, renewed investment in global supply lines and strong fiscal support. We do not think markets are positioned for ongoing global growth, and we think global growth will prove persistent. This is a very positive setup for the Fund.

¹⁰ <https://www.aljazeera.com/economy/2021/2/1/hey-big-spender-what-is-the-biggest-surprise-in-indias-budget>; <https://www.bbc.com/news/world-asia-india-55884215>

¹¹ Source: Google data, India covid stats: https://www.google.com/search?q=india+covid+stats&rlz=1C1GCEB_enAU875AU876&oq=india+covid+stats+&aqs=chrome..69i57.2575j0j7&sourceid=chrome&ie=UTF-8

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- 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.
- The portfolio inception dates for each active share class of the Fund are as follows:
 - Platinum World Portfolios - Asia Fund:

Class A USD (Accumulating) (ISIN: IE00BYRGR522): 10 March 2017	Class B USD (Accumulating) (ISIN: IE00BYRGR639): 27 January 2021
Class D USD (Accumulating) (ISIN: IE00BYRGRD06): 16 November 2015	Class E EUR (Accumulating) (ISIN: IE00BYRGR852): 16 October 2020
Class F EUR (Accumulating) (ISIN: IE00BYRGR969): 3 February 2020	Class G GBP (Accumulating) (ISIN: IE00BYRGRB81): 19 February 2019
Class I USD (Accumulating) (ISIN: IE00BYMJ5524): 19 January 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).
- 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.
- 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.
- The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
- The 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.
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