



Quarterly Investment Manager's Report

Platinum World Portfolios - Asia Fund

31 December 2021

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Performance

to 31 December 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)	18.3	-1.7%	-8.3%	13.7%	15.3%	-	11.5%	10 Mar 2017
Class B (USD)	4.9	-1.9%	-	-	-	-	-	27 Jan 2021
Class D (USD)	13.0	-1.9%	-9.1%	13.6%	15.0%	12.7%	10.6%	16 Nov 2015
Class F (EUR)	0.2	-0.1%	-2.4%	-	-	-	15.4%	3 Feb 2020
Class G (GBP)	1.8	-2.1%	-7.4%	12.1%	-	-	12.2%	19 Feb 2019
Class I (USD)	159.8	-1.6%	-8.1%	13.9%	15.4%	-	12.3%	19 Jan 2017
MSCI AC Asia ex Japan Net Index (USD) ⁽¹⁾		-1.2%	-4.7%	9.1%	12.1%	11.3%	10.1%	16 Nov 2015
MSCI AC Asia ex Japan Net Index (USD) (EUR) ⁽²⁾		0.7%	2.5%	-	-	-	10.9%	3 Feb 2020
MSCI AC Asia ex Japan Net Index (USD) (GBP) ^(2,3)		-1.7%	-3.8%	7.9%	-	-	8.4%	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. Returns could be reduced, or losses incurred due to currency fluctuations
See note 1, page 16.

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

Macro Overview: A Case of Catch-22 for Policymakers in 2022?

by Andrew Clifford, Co-Chief Investment Officer

In late December, CEO and co-CIO Andrew Clifford sat down with Investment Specialist Douglas Isles to discuss inflation, labour market pressures, interest rates, China, decarbonisation, and Omicron - and the challenges these pose for policymakers and markets in 2022. An edited transcript of the conversation is below.*

DI: Andrew you've been talking about the risks of inflation since June 2020 and now everyone's talking about it. Can you give us an update on your thoughts?

AC: The way the inflation story has progressed is really quite interesting. A few months ago, many still regarded it as being 'transitory' – citing the lumber price, and a whole series of prices for that matter, moving up, down and back up again. We've always maintained that the underlying cause of inflation is the amount of money that's been printed. As a result, you're not going to be able to track it by looking at used car prices, copper prices or the like. What's happening in labour markets is a much more important indicator to focus on now, particularly in the US.

The US economy is booming and currently there are about 10 million job vacancies, give or take. There are around seven million people who identify as being unemployed, so we have more jobs than people who are unemployed. Small, medium and large companies are all finding it hard to fill jobs and there's anecdotal evidence of companies needing to increase wage rates to attract staff. I would also add that in our discussions with companies, many have commented that in the past, when copper prices and steel prices rose, pressuring margins for those companies that use these as inputs, they couldn't really increase prices and needed to find cost savings elsewhere. Today, there's a very relaxed attitude from corporates - they're just putting up prices. I think these factors will create a potentially self-perpetuating cycle of inflation.

DI: Would you say these labour shortages are emboldening workers' sense of self?

AC: Lower-income households have really struggled over the past few decades, their real living standards have not improved, particularly in places like the US. Their real living standards have actually worsened over the last couple of years, because they suffered the most from the COVID lockdowns and subsequent job losses. They may have been given some financial assistance along the way with the various government benefit schemes around the world, but as always, it's these groups that are impacted the most by inflation. They don't have the big stock or property portfolios, which is where the money has been made.

So, this divide is getting wider, but interestingly, they now have the upper hand with labour being in such short supply. As a result, we are seeing labour strikes, such as the well-publicised ones at Deere and Kellogg's that have gone on for some time. In the case of Deere, the workforce has been awarded some pretty healthy wage increases.

Perhaps symbolically, large parts of the US labour force have not been unionised, but now the first Starbucks store (out of around 9,000) has been unionised – and that's just one store in New York. Amazon workers at different warehouses are trying to unionise, and we also have teacher strikes. Things are changing, which again, links back to the potential for a self-perpetuating inflation cycle.

*The full interview is available in audio format on The Journal page of our website <https://www.platinumworldportfolios.ie/Insights/The-Journal>

DI: Is there a deep social problem emerging? How does this factor into your thinking?

AC: Well, there is an issue here and I think one of the most interesting social phenomena's is on the Reddit discussion platform, where 'anti-work' is the fastest-trending thread. Rather than during the 1970s, 1980s or communism era, where people were agitating for everyone to be paid the same, the anti-work thread is that none of us should have to work. Now, that might sound appealing, but we shouldn't underestimate the strength of this movement and it poses a real problem for governments to solve. I believe it actually points the way to some very fundamental changes, one of which I think is going to be interest rates.

DI: The US Federal Reserve is now talking about rate rises in 2022 of around three-quarters of a percent, how does that impact things and what is the outcome from that?

AC: The first thing to note is that we're now talking about rate hikes in 2022 - previously, they were meant to be somewhere far off, in 2023 or 2024. I don't think this should surprise anyone though, and we've been focused on this for quite some time. The issue again, comes back to the impact of inflation across the economy. The higher-income groups will probably be relatively immune to it if their grocery bill goes up 10%-15%, but for others it's very damaging. Of course, in terms of politicians who fundamentally want to be re-elected, solving inflation is more important. Ultimately, what history showed through the 1960s, 1970s and 1980s, is that governments need to deal with inflation or they will lose the next election.

I think we're on the cusp of changing the way we think about interest rates. It's really interesting that the market had predicted this change in interest rates, with yields on the US two-year Treasury edging higher in the closing weeks of 2021. If you think about it though, if interest rates increase to 1% or 2% and inflation is 6%, with a strong economy, 1% or 2% is not going to make a whole lot of difference. Indeed, there's a huge incentive for the private sector to continue to borrow money at still very low rates and essentially, in one way or another, speculate on inflation. That's how these cycles really take hold - it just creates more monetary growth when we already have too much money. These are the things investors need to be thinking about.

Monetary policy changes, whether it's interest rates or quantitative easing, impact the economy with long lags - traditionally 12-18 months. So, regardless of whether inflation moves beyond 6% or not, we should expect that it's going to be at elevated levels for some time to come, and the ultimate end to deal with that, will be much higher interest rates than people are expecting.

Fig. 1: US Inflation Soars to Highest Level Since the Early 1980s



Source: Federal Reserve Bank of St. Louis, US Consumer Price Index, annual rate, as at November 2021.

DI: Is this a pattern that is starting to emerge in other economies as well, or is it still primarily a US phenomenon?

AC: If you look at the monetary expansions we had in Europe, money supply is up roughly 30% on two years ago, while in the US, it's closer to around 40-45% and the monthly rates continue to be quite strong. In China, it's less so, let's call it in the mid-20s.¹ This is very clearly US led, but we are seeing inflation numbers at the highest levels in decades in many economies and rate increases in much of the emerging world already. So, I think the US is the centrepiece, but it is something that we're seeing pretty much everywhere.

DI: Last time we spoke, we talked a lot about China's reform program. Perhaps you could give us an update on what's happening on the ground there?

AC: As we discussed last time, what's most important in China, in terms of downside risk, are the reforms in the property sector. It's not about Evergrande and the indebted developers, it is about the fall-off we've seen in the sale of new apartments, which will then flow through to much lower construction activity in the months ahead. This is the one clear negative for global economic growth. The property sector is a very important part of the Chinese economy and thus the global economy. We haven't seen any improvement there yet, but we have clearly seen a change in approach from the government. For instance, there has been a change in rules for how the better-managed developers, the ones who have strong balance sheets, can access money and potentially acquire the good projects from those in trouble. We have also seen better mortgage terms for buyers, as well as cuts in the reserve requirement ratio for the banking system to ease liquidity. The Chinese policymakers are aware that there's an issue here, and they are starting to act, as one would expect.

¹ Source: FactSet Research Systems, Federal Reserve Bank of St. Louis.

The market's response? By and large, stocks in the areas that have been the most impacted by these reforms bottomed in July/August, with stock prices for the good property developers up roughly 15-20% by year end. That's not to say that it's all over, but the market is indicating that we've probably seen the worst of it in China.

DI: The Chinese government has a pattern of going hard, the market reacts and then the government eases off a little through a number of years of reform, do you agree?

AC: Absolutely. China is the one government that actually does implement reform - they do it aggressively and there's always the chance of policy mistakes and overreach. We saw exactly the same thing occur at the end of 2018 with the banking system, and they had to step back and relax their measures. I think we have a similar situation here, they've recognised the issue and are talking about measures to help regain some momentum in the economy.

DI: You touched on stock price reactions, let's turn to markets more broadly. Are you seeing any parallels with the technology boom in 2000, where everyone wanted to own a narrow collection of stocks?

AC: I think the tech boom in 2000 is a very good model to look at. There are a number of measures we look at. There's a very high concentration of big companies in the indices now. On the Nasdaq for example, the big 10 names, including the FANGs, Microsoft, Nvidia and Tesla, account for roughly over half of the market, which is very substantial - and most of them are trading on very high valuations of 40, 50, or 70 times earnings. Here's the other thing though, if you look at Nasdaq's performance for 2021, it's up around 17% in US dollar terms for the year to date, but if you exclude the best five of those big 10, the market is actually down c. 20%.²

Interestingly, a lot of the speculative, very highly valued growth names have been selling off, but not in a straight line up and down. Another measure we look at is 'advance decline', which measures the number of companies that are going up on any day versus the number going down, and steadily over time, less and less stocks are going up. There's also been a fall-off in the number of stocks making new highs versus those making new lows. These are classic patterns that have historically pre-empted a bear market. It is all very similar to 2000, so yes, it's a very interesting parallel.

DI: So, this might not have much longer to run then?

AC: Well, I think we have to go back to interest rates. We've been in an environment of falling inflation and interest rates for three or four decades. Particularly during the last decade,

it has been the predominant financial variable propelling stock markets and driving investors into high-growth stocks and these big tech names. It looks like the end of that era is fast approaching and we're already seeing many of the companies that benefited from that, falling. It's not the first interest rate increase that really knocks a stock market down though, and it looks like we're going to have numerous ones. On that basis, I would say that there's very little value in these big-favoured names. We are looking elsewhere in the market and finding that all those other stocks people didn't want to know about are actually pretty good value, and we expect them to be beneficiaries of this stronger growth environment we're in (see the PWP - International Fund report for more details on stock positioning).

DI: During the December quarter, we had COP26 and there was a lot of talk about net zero emissions, how are you thinking about that from an investment perspective?

AC: The move to decarbonise the world is a key thematic that we've been researching and investing in for a long time. A good example is LG Chem, one of the leading providers of electric vehicle (EV) batteries, which has delivered us strong returns over the last couple of years. A lot of the obvious themes are very expensive and there are plenty of other more interesting ways to play it. Let's look at EVs for example, we have Tesla obviously, but there's also Rivian, an electric truck maker that has barely sold a truck and can scarcely make trucks yet. It recently peaked with a market capitalisation of around US\$120 billion. Now, even when Tesla was in its exciting days and everyone thought it was expensive, its market cap was US\$20 billion not US\$120 billion, and it was actually making quite a lot of cars back then.³

But let's think about how we're really going to decarbonise our transportation fleet, it's a big task and we have lots of companies out there that have invested heavily in the electrification of vehicles, Toyota is the leader and BMW is right up there. These companies have been investing in this area for a long time, but everything can't just go electric, that's not a feasible outcome. Even if the developed markets are fully electrified in a decade from now, there'll still be large parts of the world that don't have the infrastructure or the generation capacity for that. Companies like BMW and Toyota are thus very focused on reducing the carbon emissions from their traditional internal combustion engines and hence we believe these companies are a very good play. Companies like Valeo, who have a lot of componentry in the exciting areas in auto, but most notably the electric drive train, is another potential play. They're not the obvious "buy" on the electric vehicle theme, but we're buying companies that stand to benefit from that very same trend. Another one

² Source: <https://realmoney.thestreet.com/markets/just-5-stocks-are-the-difference-between-a-bull-market-and-a-bear-market-15854516>.

³ Source: FactSet Research Systems.

is copper, a material that's seen very little investment of substance for years now. We need it for EVs, renewable energy and charging stations. We've had big investments there and done well, but again, it's not always the obvious "buy the wind farm" or "buy the wind turbine maker", there are other ways of playing this theme and that's very much our focus.

DI: You mentioned some successes; another big success was the vaccine producers. How is COVID factoring into your thinking as we enter 2022?

AC: It's been such an uncertain environment for the last couple of years and we now have the Omicron variant. What does that mean exactly? There are as many different opinions, as there are articles written about it. I think the thing for investors, and answering in that context, is that when we're buying companies, we're buying them for the next 10 and 20 years of their earnings, not the next six months. Now, the market might fluctuate around those concerns, but we are of the view that we will move beyond COVID - simply because you can see how populations just

want to do that, even with the risk that entails. While there will be short-term fluctuations around concerns and stocks will go up and down depending on what investors think is going on, the way to navigate through this, again as an investor, is to look at the longer-term potential of your investments.

DI: Is there any final comment you would like to share?

AC: I think we're in an interesting market, and we've talked about this many times over recent years, where we have some parts that are extraordinarily expensive and we have focused on that here. However, there is the other side of the market, the real companies that have been ignored that are valued sensibly, that are in a position to benefit from the economic environment we're in. Again, going back to 2000, that's exactly what we had back then, where people at that time, only had eyes for the tech sector. It's very similar and the lesson from that time, was not to just avoid the over-hyped and expensive stocks, but to buy the other stocks that people wanted to ignore.

MSCI Regional Index Net Returns to 31.12.2021 (USD)

REGION	QUARTER	1 YEAR
All Country World	6.7%	18.5%
Developed Markets	7.8%	21.8%
Emerging Markets	-1.3%	-2.5%
United States	10.0%	26.5%
Europe	5.1%	16.2%
Germany	0.8%	5.3%
France	7.1%	19.5%
United Kingdom	5.6%	18.5%
Italy	5.6%	15.0%
Spain	-1.4%	1.4%
Russia	-9.2%	19.0%
Japan	-4.0%	1.7%
Asia ex-Japan	-1.2%	-4.7%
China	-6.1%	-21.7%
Hong Kong	-3.5%	-3.9%
Korea	-0.9%	-8.4%
India	-0.2%	26.2%
Australia	2.1%	9.4%
Brazil	-6.5%	-17.4%

Source: FactSet Research Systems.

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

Historical performance is not a reliable indicator of future performance.

MSCI All Country World Sector Index Net Returns to 31.12.2021 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	12.6%	27.4%
Utilities	10.2%	10.1%
Real Estate	8.9%	22.8%
Consumer Staples	8.3%	11.1%
Materials	7.1%	14.8%
Health Care	6.7%	17.5%
Consumer Discretionary	6.1%	9.0%
Industrials	5.5%	16.1%
Financials	3.1%	24.4%
Energy	2.8%	36.0%
Communication Services	-1.6%	10.4%

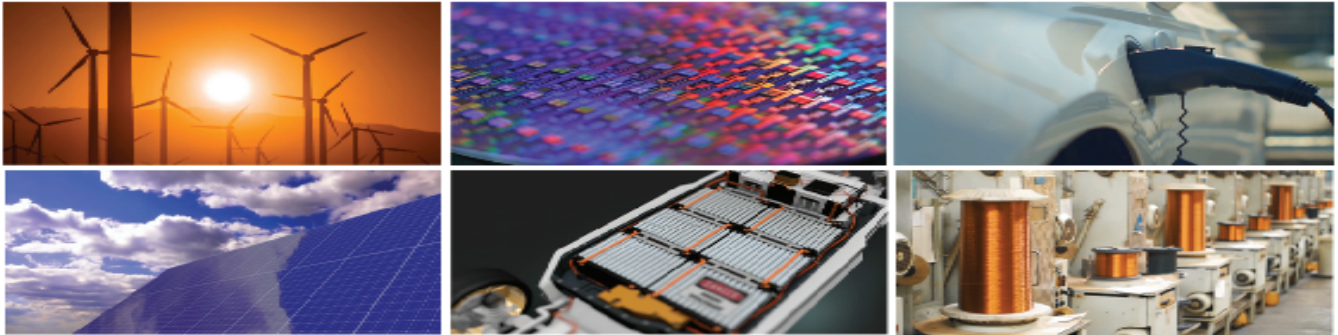
Source: FactSet Research Systems.

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

Historical performance is not a reliable indicator of future performance.

Why 'Negative Screens' are Bad ESG

by Jan van der Schalk



In what has been cast as a win for the ESG movement, in August 2021, BHP announced it was selling its petroleum assets (to Woodside Petroleum). While we recognise that, from an economic viewpoint, this transaction makes sense for BHP, we are at something of a loss to understand how it is a positive outcome for the purpose of reducing greenhouse gas (GHG) emissions.

This action will see BHP reduce its fossil fuel exposure to ~9% of revenue.¹ It's not unsurprising that the sale takes BHP's hydrocarbon assets to the point which most ESG funds consider as an allowable threshold for revenues from 'bad' assets. Our issue is that this is merely the shifting of assets to another owner, which is not the intention of establishing ESG criteria and it isn't a win for the environment.

The reason ESG is an important force in the investing world is that it is driven by investors' belief that their money can be used to do good, to help improve the world. The investment industry's response to this moral imperative for 'doing good' has become just another risk to be managed to maintain funds.

By casting climate change in terms of risk, it transforms this existential moment to a mere 'input' where, if you eliminate the risk, you (by proxy) eliminate the issue. We contend that this is dangerous and leads to the kind of fruitless, in terms of GHG emissions, corporate action where assets are shifted, not extinguished.

This is, we believe, bad ESG.

Good ESG, instead, has as its defining purpose: 'change'.

Change, however, is hard. It takes time, effort and application. To begin with, a good investment manager will need to understand the business in its entirety - **from what it does, to how it does it, to why it is done, to working out how long it can be sustained**. By means of this analysis, the investment manager can form an insight about how 'good' the organisation is and where it can improve. Once this exercise has been completed, investors, as part-owners, are able to begin a dialogue with management. A dialogue, which is always a two-way street, can hopefully lead to change.

Bad ESG chooses to short-cut this process through applying so-called 'negative screens' as if, by not investing in bad actors (by means of non-engagement) those organisations will change their ways (for the betterment of our world).

Negative screens are the current prevailing methodology deployed in the world of ESG investing: as a solution it is simple, easily observed and, as evidenced by the above example, ineffective.

¹ Internal estimate November 2021.

The problem is that negative screens are not moving the world forward, they are, in fact, doing nothing – the solution on climate change is not as simple as pivoting (overnight?) to renewable energy and shuttering coal mines and petroleum installations: the lights would go out. **Negative screens that exclude polluters are, *ipso facto*, bad ESG.**

Now, we are not suggesting that good ESG companies are bad investments (clearly, they're not, though it does depend on what you pay for them), it's more the case that to solve the world's environmental issue, it's just as important that we encourage all companies to be better.

What does good ESG look like?

At Platinum, we emphasise a balanced approach, looking at what both detracts and contributes, and combine this with engagement rather than divestment.

Two months before BHP divested their petroleum assets, there was another event involving BHP which caused much ESG consternation: Glencore, one of the world's largest mining companies, bought its junior partners' interests in one of the world's largest open-pit coal mines. BHP was one of those partners.

This, in our view, is a positive ESG action. But how could buying (more) mining assets, thermal coal ones at that, make sense from an environmental pollution perspective? How could this be an ESG-positive decision?

"Disposing of fossil fuel assets and making them someone else's issue is not the solution and it won't reduce absolute emissions," said Glencore's former CEO, Ivan Glasenberg.

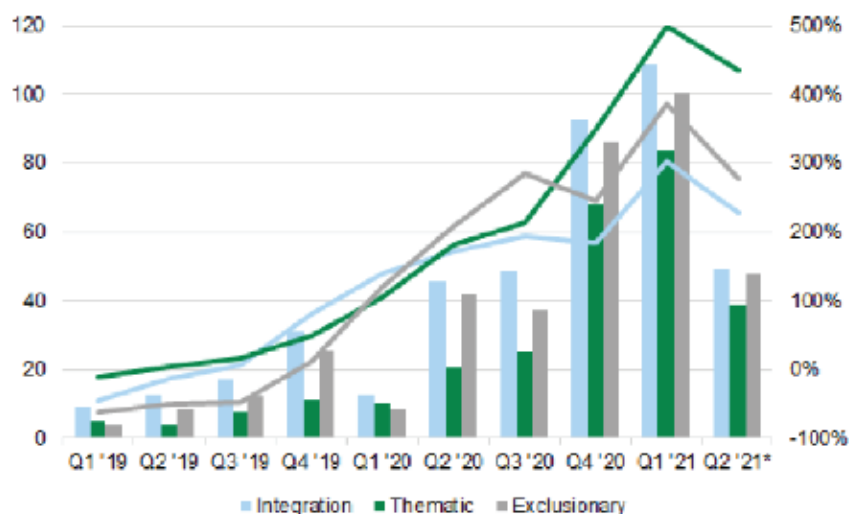
As Glencore has often argued, coal divestment is "pointless" – they view coal mines as a source of cash to be re-invested into the production of the raw materials, such as copper, cobalt and nickel, which will be needed for the world to shift (dramatically) to cleaner forms of energy, such as wind turbines. How can we ensure this? By targeted and thoughtful engagement ensuring that Glencore is held to account; Platinum, through being an (active) owner of Glencore, is doing exactly that.

Furthermore, Glencore pointed out that with full control it now holds the keys on how to reduce the life of the mine, whereas with having to manage other partners, Glencore ran the risk of the mine-life actually being extended.

The next part of this transaction is that, as investors, we can ensure that Glencore makes good on its promises. How can investors ensure Glencore 'stays honest'? It's called **engagement**, of being part of their journey, no matter how reputationally uncomfortable that might be in the short term. While it is both glamorous (to a point!) and exciting to be part of building the new renewable energy economy, the success of this rests on combining this with helping the bulk of the economy adapt and transition – to make the current 'bad' players into tomorrow's 'good' operators.

Fig. 1: ESG Fund Flows Continue to be Strong Across Strategies

Quarterly flows (US\$ bn; LHS) and trailing twelve-month growth (RHS) by ESG strategy



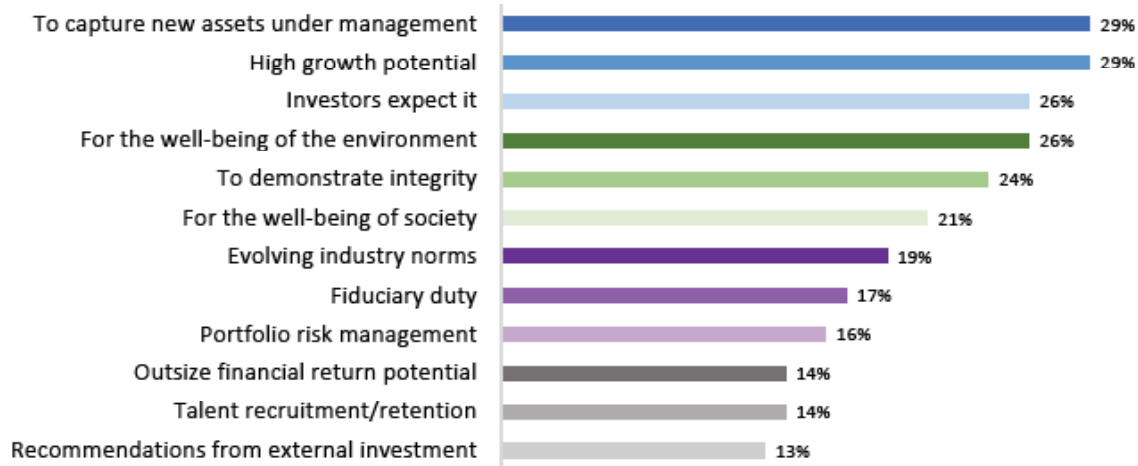
Q2 2021* only through May 2021

Source: Morningstar, Goldman Sachs Global Investment Research.

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and investors may get less than they invested. Capital at risk.

Fig. 2: Reasons Why Firms Adopt Sustainable Investing Practices

What do you believe are the primary reasons firms adopt sustainable investing practices? (n = 300)



Source: Morgan Stanley Institute for Sustainable Investing, Bloomberg, 2018

So, not only is the outcome potentially ESG-good it was also a courageous thing to do, for it flies in the face of the “shut all coal mines” orthodoxy.

The seductive thing about negative screens is that they’re easy to explain (“I won’t invest in this because it’s bad...”) and they’re emotionally satisfying, as it plays to our negativity bias and therefore, signals (very simplistically), virtue - of doing the ‘right’ thing.

The problem is that negative screens reduce something very complex and long term (for instance, our environmental concerns and how we better our situation), to something so simple it’s, at best, a lacklustre response and, at worst, destructive.

And yet, when looking at ESG funds, the exclusionary (negative screen) style has dominated (see Fig. 1):

We ended up here largely because the investment industry has, in the recent past, focused only on short-term returns (and then done so in the most simplistic of ways through measurement against some nominal index). Consequently, the industry has lost touch with its purpose - **to generate wealth** - and now, through its focus on excess return (alpha) it is incapable of deepening its offering in the form of generating wealth **worth having**.

Is there proof? Fig. 2 says it all:

Though it might be a little unfair, but this chart would suggest that the investment industry’s response is not about recognising what our customers intend to achieve and more about “what is the lowest hurdle we can get away with?”.

We would go further - the current offering of the majority of ESG funds/ETFs actually are complicit in actively promoting cynical ESG behaviour, and potentially, are guilty of ‘greenwashing’. At the beginning of this piece we pointed out the convenience of BHP’s 10% fossil fuel revenue threshold – by this mechanism ESG funds/ETFs ensure they still get to partake in the upside if there is a lift in commodity prices (and stay near their index comparator). ***The 10% materiality threshold therefore actually encourages companies to sell their GHG-intense assets down to a nominal threshold – paradoxically, this approach encourages poor behaviour.***

We believe that a thoughtful long-term investor has an ability to be part of creating a better world through engaging, enabling (an investment supports an organisation in developing new ideas, processes and products) and contributing in the future, which is yet to emerge. Good ESG is patient and encourages new technologies whilst recognising that nobody can be left behind, and thus, will therefore also be part of transforming legacy ‘smokestack’ industries.

Solving the complexities of the climate isn’t about taking sides or being non-inclusive, it’s about harnessing all the technology, know-how and skill we can muster.

That’s ESG: done responsibly.

Platinum Asia Fund

Performance

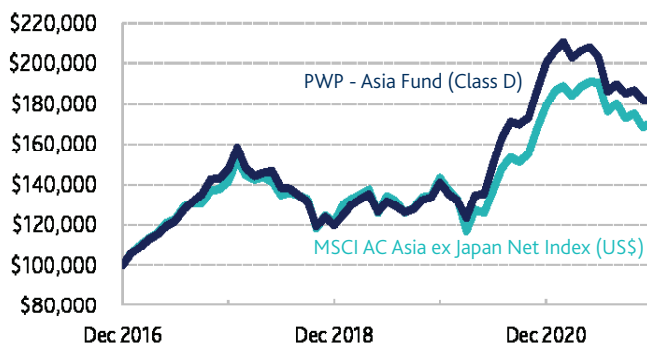
(compound p.a.⁺, to 31 December 2021)

SHARE CLASS	QUARTER	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PWP Asia Fund Class A USD	-2%	-8%	15%	-	12%
PWP Asia Fund Class B USD	-2%	-	-	-	-
PWP Asia Fund Class D USD	-2%	-9%	15%	13%	11%
PWP Asia Fund Class F EUR	0%	-2%	-	-	15%
PWP Asia Fund Class G GBP	-2%	-7%	-	-	12%
PWP Asia Fund Class I USD	-2%	-8%	15%	-	12%
MSCI AC Asia ex Jp Index [^]	-1%	-5%	12%	11%	10%

⁺ 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. **Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.** See notes 1 & 2, page 16.

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

31 December 2016 to 31 December 2021



After fees and costs. See notes 1 & 3, page 16. **Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.**

See notes 1 & 2, page 16. Source: Platinum Investment Management Limited, FactSet Research Systems.



Andrew Clifford
Portfolio Manager



Cameron Robertson
Portfolio Manager

The Fund (Class D) returned -1.9% for the quarter and -9.1% for the year.¹

Most major markets across the region were flat to down during the quarter, with Chinese-related stocks in particular continuing to decline, reflecting poor investor sentiment towards the country.

Our semiconductor holdings **SK Hynix** (+27%), **Taiwan Semiconductor Manufacturing** (+6%) and **Samsung Electronics** (+6%) all provided a positive contribution to the Fund's performance during the quarter. Demand for their products remains strong across a broad range of end markets, while industry supply has been constrained for a range of reasons, including pandemic-related disruptions. Expectations are increasingly reflecting this tight supply/demand outlook across most advanced semiconductors and the share prices have been adjusting to reflect this.

Leader Harmonious Drive (+29%), a smaller position that was added to the portfolio in 2021, continues to execute well on their mission and are seeing those efforts rewarded by the market. Leader Harmonious Drive is the Chinese domestic champion in producing strain wave gears, a small but profitable niche component in the robotics industry. During the quarter, the business grew in excess of 100% and profitability was strong, exceeding market expectations.

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.

Longshine Technology (+43%), another recent smaller addition to the portfolio, also had a good quarter. This company provides software for utilities, particularly billing software for electric utilities. Investors have increasingly recognised the bright outlook for improved billing systems, the adoption of which is a necessary step in China transitioning to market-based electricity pricing and helping with the increasingly tricky task of balancing loads in an intermittent supply world, arising from the greater use of renewable power sources. It appears there has also been growing market enthusiasm for Longshine's electric vehicle charging platform, although the reality is that this is likely to remain only a small part of their business over the near to medium term.

Turning to the weaker performers in the quarter, travel-exposed companies like hotel and flight booking portal **Trip.com** (-20%) and the hotel chain **Huazhu** (-19%), were impacted by the resurgence in COVID case numbers and subsequent lockdowns, leading to reduced growth expectations and lower share prices.

Alibaba's share price also declined during the quarter (-16%). China's e-commerce landscape has been maturing, with the attendant lower growth rates, while competition has increased. Alibaba has had to adapt their business practices after a run-in with the regulator, and with this backdrop, in an attempt to re-accelerate growth, has decided to reduce the fees charged to merchants and invest in new growth avenues, hoping that by reducing profits in the short term they can strengthen their longer-term positioning. The market has focused on the certainty of lower near-term profits, over the as-yet uncertain potential longer-term gains, hence the resultant decline in the share price.

Electric vehicle battery manufacturer, **LG Chem** (-21%), also saw its share price decline during the quarter. They suffered manufacturing quality issues, leading to a product recall for the GM Bolt vehicle platform, as well as general industry headwinds arising from lower car production volumes due to semiconductor shortages, and cyclically lower margins in some of their chemical businesses. At this point, the manufacturing issues leading to that recall appear to be resolved and the recall has been fully provisioned for. Meanwhile, the battery business has been partially listed in the hope that will help highlight the value of those assets on a standalone basis.

Our short positions were fairly small during the quarter and their contribution to performance was negligible.

Changes to the Portfolio

During the quarter, we bought a small position in **Estun Automation**. This family-owned and run business has, through a series of small smart acquisitions, built themselves to be a leader in industrial robotics, motion control and welding. The company is taking market share in growing markets, with automation becoming increasingly necessary as populations age and labour costs rise, while they cement their competitive positioning through extensive vertical integration and a lower cost structure. While their robots are used in a broad range of end markets, solar cells and battery manufacturing are two examples of areas where they have particular strength. Estun has been on our radar for a while, but had been trading at levels we were unwilling to pay. Fortunately for us, however, a brief down-cycle in end market demand led to a sell-off in the shares, affording us the opportunity to establish a small position.

Disposition of Assets

REGION	31 DEC 2021	30 SEP 2021	31 DEC 2020
China	44%	48%	45%
South Korea	11%	10%	13%
India	10%	10%	8%
Taiwan	7%	6%	7%
Hong Kong	7%	8%	7%
Vietnam	5%	4%	3%
Philippines	2%	1%	2%
Macao	1%	1%	1%
Singapore	1%	1%	1%
Thailand	0%	0%	1%
Cash	13%	10%	12%
Shorts	-1%	0%	0%

See note 4, page 16. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2021	30 SEP 2021	31 DEC 2020
Consumer Discretionary	17%	19%	20%
Information Technology	16%	15%	22%
Financials	15%	16%	15%
Industrials	12%	13%	6%
Real Estate	10%	10%	5%
Other	4%	3%	3%
Communication Services	4%	4%	7%
Materials	4%	4%	3%
Consumer Staples	2%	2%	2%
Health Care	1%	2%	2%
Energy	0%	0%	3%
TOTAL NET EXPOSURE	86%	89%	88%

See note 5, page 16. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

We sold out of our position in **CITIC**. Having booked a healthy gain in a relatively short space of time, and in light of some questions we had around certain financial exposures of the group, we felt it was an opportune time to sell. We also sold our remaining small position in the power semiconductor company, **StarPower Semiconductor**, following a strong share price run, taking it to a level we felt was an overly demanding valuation.

We continued reducing our exposure to sportswear and fashion brand **Li Ning**. This has been an extremely strong performer for the Fund over the past few years, having gone from a lesser-known domestic Chinese brand with an interesting brand heritage, to now being seen on fashion runways around the world and having become an investor favourite trading at a much richer multiple of far higher earnings than when we first purchased our shares. We also continued trimming our position in **Anta Sports Products**, another similarly strong performer over recent years, which has seen its shares re-rated dramatically and now prices in a considerably rosier future.

China Merchants Bank was another stock we reduced. The shares of this bank have held up much better than others in the sector, and while still appearing to be well positioned, trades at a substantial premium valuation. This comes at a time when there are some modest concerns about the value of assets sitting on balance sheets across the sector. Hence, we felt it prudent to trim our holding.

Commentary

While **China** continues to capture the bulk of headlines and is still a source of significant concern for many, it feels as though there is little new fuel being added to the fire and some of those concerns may be starting to fade. In the middle of 2021, there was a widespread fixation with the risks emanating from the property developers, and there was a palpable fear from many that the sector was going to imminently implode and take down China's banking system with it. So far, however, the unwind of overindebted developers continues in a relatively orderly fashion, which in our view has always been, and remains, the most likely outcome. While system-wide debt levels are still being constrained, there has been targeted easing, with allowances made for the better-capitalised property developers to once again have greater access to markets, and in certain regions we are seeing a loosening of mortgage availability. Some of the broader concerns had spilled over into other sectors and resulted in a mild economic slowdown. However, we are starting to see some signs of stabilisation there as well, with industrial output rising in November and services output increasing in the December quarter. Even construction

Net Currency Exposures

CURRENCY	31 DEC 2021	30 SEP 2021	31 DEC 2020
Chinese Renminbi (CNY)	44%	48%	45%
Hong Kong Dollar (HKD)	17%	15%	8%
South Korean Won (KRW)	11%	10%	13%
Indian Rupee (INR)	10%	10%	9%
New Taiwan Dollar (TWD)	7%	6%	7%
Vietnamese Dong (VND)	5%	4%	3%
United States Dollar (USD)	3%	1%	1%
Philippine Peso (PHP)	2%	1%	2%
Macanese Pataca (MOP)	1%	1%	1%
UK Pound Sterling (GBP)	1%	1%	0%
Singapore Dollar (SGD)	1%	1%	1%
Thai Baht (THB)	0%	0%	1%
China Ren. Offshore (CNH)	0%	0%	8%

See note 6, page 16. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	6.0%
Samsung Electronics Co	South Korea	Info Technology	5.4%
Vietnam Ent Investments	Vietnam	Other	3.8%
Tencent Holdings Ltd	China	Comm Services	3.8%
InterGlobe Aviation Ltd	India	Industrials	3.5%
Ping An Insurance Group	China	Financials	3.4%
Weichai Power Co Ltd	China	Industrials	3.3%
ZTO Express Cayman Inc	China	Industrials	3.3%
SK Hynix Inc	South Korea	Info Technology	3.3%
AIA Group Ltd	Hong Kong	Financials	3.0%

As at 31 December 2021. See note 7, page 16.

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.

materials and residential property sales showed the first signs of possible stabilisation, and while it may yet be too early to call the bottom, the rate of change has been improving. Investors may take some comfort in noting that our holdings in higher-quality and less-indebted property developers held up reasonably well in the December quarter, despite the ongoing sell-off in the Chinese equity market. Perhaps this serves as a good reminder that, as a general rule, by the time an issue is being splashed across the newspaper headlines, the stock market has often already moved. We aren't out of the woods yet, risks remain and we continue to monitor it closely, but the trajectory so far seems consistent with an orderly and reasonable outcome.

Turning to **India**, during the quarter we saw the reversal of some previous agricultural reforms, which had proven unpopular with farmers, in the face of upcoming state elections. While the government may be slightly less confident in their popularity, there are still signs of ongoing reform. For example, they recently privatised the national airline, Air India, which is India's first privatisation in 17 years. Next in focus will be the upcoming power sector reforms, which should help improve energy distribution efficiency and reduce theft.

On the company specific front, it was interesting to see **Tencent** announcing plans to distribute the majority of its shareholding in e-commerce company **JD.com** to Tencent shareholders. It's fairly unusual to see Tencent dispose of major strategic holdings like this, and as such, the action has sparked speculation whether it may be a pre-emptive regulatory-driven move so that they aren't seen to be cooperating to the detriment of fair market competition, or whether it could be the first step in a broad effort to cash out and distribute some of the significant value tied up in Tencent's ~US\$200 billion investment portfolio. To date, the companies are suggesting they remain on good terms, and both are largely independent at this point. It has been framed as simply being the right time to distribute that value given JD.com is now mature and no longer needs any financing or support. The President of Tencent, Martin Lau, is also stepping down from the JD.com board. Since that distribution was announced, Tencent further stated they will be modestly reducing their stake in Sea Ltd, selling down ~US\$3 billion worth of shares. Meanwhile, Alibaba is also reportedly in talks to sell its stake in "China's Twitter", Weibo. Tencent's investment holdings account for 30%+ of the value of Tencent shares, so if these actions are part of a broader move to disband its competing ecosystems, it could result in a not insignificant realisation of value.

While we're talking about Tencent, one of their subsidiaries, Riot Games, operates what is arguably the world's largest eSport's event, League of Legends world championships. This year's event took place during the quarter and garnered a record peak live audience of nearly 74 million concurrent viewers, up ~60% on the prior year, showing that interest in eSports continues to grow.²

Within the computer game sector there appears to be an emerging use for blockchain, whereby games operate under a model called "play-to-earn" or "play-and-earn". In this model, the game developer launches their own cryptocurrency alongside a computer game, and the cryptocurrency can be exchanged for in-game items. Players wanting a more powerful character can buy the cryptocurrency and get in-game items, or the process can work in reverse whereby players can essentially earn cryptocurrency through gameplay, which can then be sold to other players who are less patient.

A Vietnamese game developer seems to be currently operating one of the largest of these "play-to-earn" games, and a listed Korean game developer is also actively participating in the space. It appears to be an interesting model to drive user acquisition, as players can have a monetary incentive to encourage their friends to play the same game as them. This business model does have a couple of variations, some strike us as interesting innovations, others appear to have a more Ponzi-scheme nature to them, nevertheless it is an interesting trend to follow.

Outlook

As always, there remains some risks and uncertainties, but we feel we are still able to find compelling new opportunities for the portfolio. The shorter-term economic picture is not entirely clear, but it is clear that opportunities still abound for the more entrepreneurial management teams across the region. At the risk of being repetitive, similar to last quarter, we continue to believe the current valuations across much of Asia ex-Japan are undemanding and should serve as a reasonably attractive level for longer-term investors.

² Source: <https://www.sportsbusinessjournal.com/Esports/Sections/Media/2021/11/Worlds-2021-Finals-AMA.aspx>

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1. Fund returns are calculated by Platinum using the Fund's net asset value per share (i.e. excluding the anti-dilution levy) attributable to the specified share class. Where a share class is not denominated in USD, the net asset value per share in USD, being the Fund's base currency, is converted into the denomination currency of that share class using the prevailing spot rate. Fund returns are net of fees and expenses, pre-tax, and assume the accumulation of the net income and capital gains, each as attributable to the specified share class. The MSCI index returns are in USD, are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.

2. The portfolio inception dates for each active share class of the relevant 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).

3. The investment returns depicted in this graph are cumulative on US\$100,000 invested in Class D of the specified Fund over the specified period relative to the specified net MSCI Index in US Dollars.

4. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.

5. The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".

6. The table shows the Fund's net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.

7. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

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