



Quarterly Investment Manager's Report

Platinum World Portfolios - International Fund

Platinum World Portfolios - Asia Fund

Platinum World Portfolios - Japan Fund

30 June 2022

Contents

Performance	3
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Macro Overview	4
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by Clay Smolinski, Co-Chief Investment Officer

Fund Updates

PWP - International Fund	8
---------------------------------	----------

PWP - Asia Fund	12
------------------------	-----------

PWP - Japan Fund	16
-------------------------	-----------

Performance

to 30 June 2022

SUB-FUND	PORTFOLIO VALUE (US\$ MIL)	QUARTER	1 YEAR	2 YEARS COMPOUND PA	3 YEARS COMPOUND PA	5 YEARS COMPOUND PA	SINCE INCEPTION COMPOUND PA	INCEPTION DATE
Platinum World Portfolios - International Fund								
Class A (USD)	27.4	-7.9%	-14.2%	8.7%	3.6%	3.3%	5.7%	27 Apr 2016
Class B (USD)	3.4	-8.1%	-14.8%	8.0%	2.9%	2.6%	5.1%	2 Dec 2016
Class D (USD)	13.2	-8.1%	-14.8%	8.0%	2.9%	2.6%	4.3%	16 Nov 2015
Class F (EUR)	0.3	-2.7%	-3.3%	11.9%	5.8%	4.5%	4.2%	4 Apr 2017
Class G (GBP)	12.9	-0.4%	-2.3%	9.8%	5.1%	4.8%	8.9%	27 Apr 2016
MSCI All Country World Net Index (USD) ⁽¹⁾		-15.7%	-15.8%	8.3%	6.2%	7.0%	8.2%	16 Nov 2015
MSCI All Country World Net Index (USD) (EUR) ^(2,3)		-10.2%	-4.4%	11.9%	5.8%	4.5%	4.2%	4 Apr 2017
MSCI All Country World Net Index (USD) (GBP) ^(2,4)		-8.6%	-4.2%	9.3%	7.9%	8.5%	11.6%	27 Apr 2016
Platinum World Portfolios - Asia Fund								
Class A (USD)	14.3	-4.8%	-21.4%	3.7%	6.7%	5.7%	7.6%	10 Mar 2017
Class B (USD)	4.3	-4.9%	-21.9%	-	-	-	-18.2%	27 Jan 2021
Class D (USD)	11.2	-4.9%	-21.9%	3.1%	6.4%	5.4%	7.5%	16 Nov 2015
Class F (EUR)	0.1	0.6%	-11.4%	6.8%	-	-	9.7%	3 Feb 2020
Class G (GBP)	1.6	3.0%	-10.4%	4.8%	8.0%	-	9.5%	19 Feb 2019
Class I (USD)	139.7	-4.9%	-21.3%	3.9%	6.8%	5.9%	8.4%	19 Jan 2017
MSCI AC Asia ex Japan Net Index (USD) ⁽¹⁾		-9.0%	-25.0%	2.3%	2.1%	3.1%	6.4%	16 Nov 2015
MSCI AC Asia ex Japan Net Index (USD) (EUR) ⁽²⁾		-3.2%	-15.0%	6.1%	-	-	4.4%	3 Feb 2020
MSCI AC Asia ex Japan Net Index (USD) (GBP) ^(2,4)		-1.3%	-14.7%	3.2%	3.7%	-	4.9%	19 Feb 2019
Platinum World Portfolios - Japan Fund								
Class A (USD)	10.2	-13.1%	-15.3%	4.7%	1.1%	1.4%	4.9%	11 Jan 2016
Class D (USD)	19.4	-13.3%	-15.9%	4.0%	0.5%	0.9%	4.4%	16 Nov 2015
Class F (EUR)	0.1	-8.2%	-4.6%	7.8%	3.3%	-	1.4%	18 Oct 2017
MSCI Japan Net Index (USD) ⁽¹⁾		-14.6%	-19.9%	0.0%	1.0%	1.8%	3.2%	16 Nov 2015
MSCI Japan Net Index (USD) (EUR) ^(2,3)		-9.1%	-9.2%	3.6%	3.9%	-	3.0%	18 Oct 2017

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

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

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

(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. Returns could be reduced, or losses incurred due to currency fluctuations
See note 1, page 21.

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

Macro Overview: A 'Garden Variety' Correction or Much More?

by Clay Smolinski, Co-Chief Investment Officer

It's been another challenging quarter for markets. In late June, Co-CIO and portfolio manager Clay Smolinski sat down with investment specialist Julian McCormack to share his thoughts on inflation, the weakening US consumer, Covid lockdowns in China and the energy crisis in Europe - and what they all mean for markets and Platinum's portfolios. An edited transcript of the conversation is below.

JM: US markets have clearly had a pretty good adjustment. Is it time to 'bottom fish' for bargains there?

CS: We should step back and think about that market adjustment. Looking at the US, the S&P 500 is down about 20% in local currency terms and the Nasdaq is down roughly 30% for the calendar year to date.¹ In a historical context, that's a very reasonable repricing. However, you need to place that repricing in the context of where we came from, which was a bubble environment where valuations were historically very high because investors had been conditioned by low interest rates and the belief that they were going to stay low for a long time. That 20% fall is just skimming off the euphoria that was surrounding markets.

We now need to think about what the current situation is. Today, we have an inflation problem, everyone knows it, but why do we have it? During Covid, the US government essentially added 40% to the money stock, with US bank deposits rising from US\$13 trillion to US\$18 trillion over an 18-month period.² However, the productive capacity of the economy, and by that, I mean trained workers, plant and equipment, and the ability to produce real goods and services, did not change. As all that new money began to chase that productive capacity, with a lag, the price of that productive capacity has naturally increased - and that's not going to solve itself quickly. The central banks know they've overstepped with the money creation and now need to tame inflation. They're doing that by hiking interest rates and

trying to remove money from the system. The mechanism to tame inflation is really to trigger a recession that lowers the demand on those productive assets, be it wages or goods and services. Now, creating 40% new money is very good for asset prices. Withdrawing money from the system and driving a recession is bad for asset prices.

So, is it time to bottom fish? We have certainly seen a repricing in markets, and opportunities on the long side are becoming more plentiful, but they're not as plentiful as you may think, and that's simply because we are coming from such an extended and euphoric starting position.

JM: What are the potential bull cases? Where could we be wrong about being cautious on the US?

CS: Where we can be wrong firstly is on investor sentiment. We've gone from the market believing inflation was never going to come back, like in Japan, to inflation being transitory, to oh, we actually have an inflation problem, and a recession is nigh. There's nothing that says that we will fall off a cliff next week, and market sentiment has moved to more of a recessionary belief. If that takes longer to transpire, we could see some pretty interesting bounces.

A second bull case is that we have two very large economies in the world. We have the US, which people believe is heading into a recession. We also have China, which is already in a recession, and potentially, once it gets past Covid, it could move into a recovery phase. The Chinese government has not really stimulated its economy to date during the Covid pandemic, certainly not to the extent that other parts of the world have, and that could be another driver of aggregate demand, which could offset some of the weakness in the US.

¹ References to returns and economic data in this Macro Overview are in quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

² Source: Reserve Bank of St. Louis, January 2020 to July 2021.

Fig. 1: China Policy Has Been Restrained

Money supply (M2) growth p.a., China versus USA



Source: FactSet Research Systems (China), Federal Reserve Bank of St. Louis (USA). Monthly data to April 2022.
M2 includes cash, checking deposits, and easily-convertible near money.

JM: In that context, the Chinese equity market had a massive setback in March, so cheap and unloved became less loved and cheaper, but what's happened since then and what's that telling us?

CS: We think China is in a very interesting space. Most of the indicators we are seeing today suggest we are in a bottoming process and it's time to buy. Again, we need to step back and think about the context. China is in a recession; there has been a huge repricing and a change in the level of activity in their property market following the property reforms, with new property transactions running at -40% for the calendar year to date.³ We also had a regulatory crackdown, which we think was more important for investor sentiment than the economy per se, and the former has certainly soured. Of course, we've also had the Covid lockdowns. Arguably, this is one of the toughest economic periods China has had over the past 20 years.

We also have investor apathy. There is clear value in China, but investors just don't want a piece of it, and that is linked to events in Russia and more worries around China from a geopolitical sense. It very much reminds us of the investor response during the European sovereign crisis, where investors didn't want to engage in the discussion, and we know how that played out in terms of future opportunities. People may remember the constant back and forth around the European sovereign crisis. Would Germany bail out the peripheral states? We had the President of the European Central Bank (ECB), Mario Draghi, draw a line underneath it with his "we will do whatever it takes" statement in July 2012. From that point, we saw a 50% rise in that market over the

next few years, and there were some tremendous gains to be made with European banks doubling in price, for example. And so, there are some interesting parallels - and when people don't want to engage in the subject anymore, it's a good time to take a look.

What will be the catalyst for China and what are we seeing now? It feels like things are starting to turn. The government is open to stimulus packages and we've seen some announced in autos and consumption. We're not going to see the effect of those though, until we move past this Covid period. We've seen every other country in the world move past Covid - a zero-Covid policy forever is not a realistic strategy and we think there will be a resolution there. We're also starting to see a turn in regulatory and government policies around markets, particularly on tech companies. The government was introducing a lot of regulation, which to be fair, was not that different from what the Europeans were doing on tech regulation, but now these companies are being viewed as more of the solution rather than the problem. Generating employment and new investment is something the government wants to do. Companies like Tencent are saying they will invest in building out a local domestic indigenous software as a service (SaaS) style industry, which is seen as a big positive. Importantly, this is now starting to be reflected in stock prices. The Chinese stock market felt like it bottomed after the Ukrainian invasion, and since then, whilst other markets have been rolling over, it has started to trend up, so we are quite positive on the outlook there.

³ Source: China Real Estate Information Corp (CRIC) and Morgan Stanley.

JM: Further on China, it looks like an mRNA vaccine may not be too far away there. Can you reflect on the impact of vaccines in the West?

CS: We saw the impact in our portfolios. In October 2020, what were the cheapest areas of the market? They were cyclicals, industrials, travel, and any industries directly hurt by the lockdowns. The day the Moderna vaccine efficacy rate was announced, many of those stocks went up 20%-30% in a day, and there was a huge rotation in the market. The day indigenous vaccine efficacy data is announced in China, we would expect to see a very aggressive and accelerated rollout of the vaccine. When the Chinese government wants to get things done, they tend to do it. So, it will be a military-style effort to vaccinate the population. When that happens, we expect to see a very strong reaction in the Chinese market and potentially global markets.

JM: So, let's balance some of that potential in China versus a slowdown in the US, particularly the consumer, where consumption represents roughly 15% of global GDP. How are you balancing these very cheap markets, South Korea, Japan, China and Germany, against the slowdown in US demand?

CS: These are either export-led countries, especially in the case of Germany and South Korea, or have a very large export sector, in the case of Japan. I have no doubt that if we do see a recession or slowdown in the US, these countries will be hit; it's just the nature of the largest economy in the world starting to slow down. But why would anyone still be interested in opportunities in those markets? Well, there are a few factors.

Certainly, coming into this current market downturn, these markets were considerably cheaper than their US counterparts. There were a number of reasons for this. Firstly, there was less of that sense of euphoria, fewer retail investors speculating via options and a general lack of all the froth that was going on in the US. Secondly, these stock markets also have less of those very 'hot' areas. The SaaS stocks, for example, are predominantly listed in the US; not many are listed in Germany and Japan. Generally, these markets have come off less than the US, and the starting valuations were considerably cheaper.

Another interesting factor is there have been some very large currency devaluations in these export-oriented countries, particularly the Japanese yen, and to a lesser extent, the euro and the South Korean won. In this type of environment, the yen trading at 135 to the US dollar places companies such as Toyota in an incredibly competitive position. It's the same for MinebeaMitsumi, a company we also own in our portfolios, which exports precision motors and ball bearings around the

globe. Those types of companies are in a fantastic position to gain market share and make quite good money in this environment.

It's the old adage that when Japan is looking pretty cheap as a holiday destination due to the yen, you should also think about buying some assets there. Hence, we have been interested in some of those export-led players, such as MinebeaMitsumi in Japan and Infineon Technologies in Germany, a large producer of power semiconductors.

JM: Aside from the human tragedy, clearly Europe has fundamental challenges, not least around energy policy. How are you thinking about Europe?

CS: The central issue in Europe is the energy crisis. There has been a fundamental change to the energy supply into that country, particularly gas. Europe was sourcing 50% of its natural gas from Russia.⁴ It is very hard to change the trade flow of natural gas because it's difficult to transport, you either need a pipeline or liquefaction facilities, and both take a long time to come online. There's no quick and easy solution. Energy is a fundamental building block to everything; if the energy price triples, that will affect the competitiveness of your industrial base. And if you can't get energy, well, it gets much worse. So that is a clear problem. Never count the Europeans out though. There are 300 million pretty industrious people there, and when placed on a wartime footing, it's incredible what can be achieved. I believe they recently built two liquefaction plants in record time, whereas previously, it would take five years because of the need to obtain every permit underneath the sun. This shows that the market can respond, but we know there are limits to physics; it will take time.

What is our positioning in Europe? Importantly, we don't invest in Europe; we invest in companies. We need to acknowledge that there's a problem and then ascertain who has the solution and who could be the beneficiaries. In response, we know that natural gas will be in short supply in Europe for some time and businesses will try to substitute that and electrify processes where they can. Who's a beneficiary of that? Infineon, with their power semiconductors. When thinking about electric vehicles, other forms of high-voltage electrification, energy or electricity efficiency, a power semiconductor is involved. Energy and electricity is a giant industry, so even small changes in capital spending towards that can have an outsize effect. Infineon is a local company with a dominant position in the higher-voltage ranges – it's a great example of a high-quality European technology manufacturer, and it's trading at 13 times earnings today. Investors are concerned about the

⁴ Source: International Energy Agency (IEA).

cyclical element of the business currently. However, looking to the future, Infineon is likely to be a key supplier into electric vehicles and electrification, and one would assume there are going to be some very strong spending tailwinds around those two areas. So, that's how we're trying to view it.

JM: We continue to hold a low net invested position in the flagship global equity portfolio, but there is a lot to buy. What are we reflecting in that behaviour in our own exposure?

CS: It comes back to some of the guideposts that we can use and also to the start of our conversation – the repricing in markets, with most broad indices falling roughly 20% over the past six months. But let's put that into context, a 20% decline is a garden variety fall. If you look at a 90-year period in history, there will probably be 25 occasions where markets fell 20% or more. When you have a new and novel problem, and we've had three examples of that in the last 20 years, being the tech wreck, global financial crisis and global Covid shutdown, over those periods, markets fell roughly 40% on each occasion. So, that provides a band of where sentiment can take investors. This time, we have both inflation and a bubble popping. We never know how bad that will be for the

market, but we do know it's unlikely to be a garden variety style of problem.

We can then compare that with other measures of sentiment, and that sense of apathy by investors needs to be considered – are they still excited to buy now after a 10-year or 15-year bull market? Or are they starting to disengage? We suspect that we're not quite there yet, and the best measure is when opportunities are completely plentiful.

I would say there are more opportunities than there were, but they are not mouth-watering yet as we still have this hangover from the very distorted Covid spending. You can point to some big falls in these hot areas, but given that the starting valuations were so wild, there is less opportunity than you might first think.

There are also still opportunities to short. There are some incredibly dubious companies running lossmaking business models that are completely reliant on capital market funding, and we think that funding will be much harder to come by over the next 12 months. On balance, while things are starting to get interesting, we're not quite ready to phase out the short book and cash entirely just yet, but we are ramping up our buying activity.

MSCI Regional Index Net Returns to 30.6.2022 (USD)

REGION	QUARTER	1 YEAR
All Country World	-15.7%	-15.8%
Developed Markets	-16.2%	-14.3%
Emerging Markets	-11.4%	-25.3%
United States	-16.9%	-13.2%
Europe	-14.6%	-19.8%
Germany	-18.1%	-31.2%
France	-14.8%	-18.3%
United Kingdom	-10.5%	-4.0%
Italy	-17.7%	-22.7%
Spain	-8.4%	-16.3%
Japan	-14.6%	-19.9%
Asia ex-Japan	-9.0%	-25.0%
China	3.4%	-31.8%
Hong Kong	-1.1%	-15.2%
Korea	-20.9%	-38.5%
India	-13.6%	-4.8%
Australia	-18.1%	-13.0%
Brazil	-24.4%	-23.3%

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 30.6.2022 (USD)

SECTOR	QUARTER	1 YEAR
Energy	-5.2%	21.4%
Consumer Staples	-6.2%	-4.6%
Utilities	-7.2%	3.2%
Health Care	-7.3%	-4.6%
Real Estate	-14.0%	-13.1%
Financials	-15.8%	-11.9%
Industrials	-16.2%	-18.7%
Communication Services	-18.2%	-29.8%
Materials	-19.8%	-16.1%
Consumer Discretionary	-20.2%	-28.9%
Information Technology	-21.7%	-20.5%

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.

Platinum World Portfolios - International Fund



Andrew Clifford
Portfolio Manager



Clay Smolinski
Portfolio Manager



Nik Dvornak
Portfolio Manager

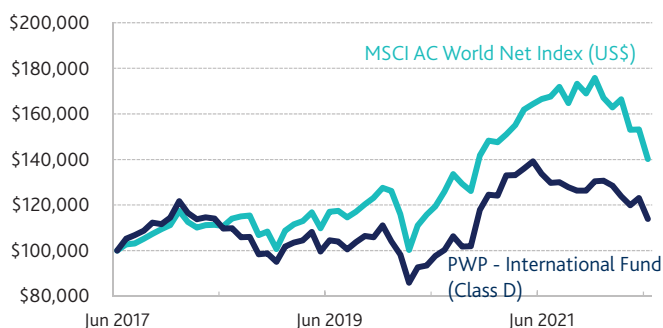
Performance

(compound p.a.⁺, to 30 June 2022)

SHARE CLASS	QUARTER	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PWP Int'l Fund Class A USD	-8%	-14%	4%	3%	6%
PWP Int'l Fund Class B USD	-8%	-15%	3%	3%	5%
PWP Int'l Fund Class D USD	-8%	-15%	3%	3%	4%
PWP Int'l Fund Class F EUR	-3%	-3%	6%	4%	4%
PWP Int'l Fund Class G GBP	0%	-2%	5%	5%	9%
MSCI AC World Index (USD) [^]	-16%	-16%	6%	7%	8%

⁺ 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 World 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 21.

Value of US\$100,000 Invested Over Five Years 30 June 2017 to 30 June 2022



After fees and costs. See notes 1 & 3, page 21. **Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.**

Source: Platinum Investment Management Limited, FactSet Research Systems.

The Fund (Class D) returned -8.1% for the quarter, well ahead of the market's -15.7% decline.¹

The key factor driving markets was the decision by the US Federal Reserve (Fed) to sharply increase interest rates from 0.5% to 1.75% over the course of the quarter in response to the accelerating rate of inflation. This resulted in a significant setback for the popular growth stocks that have led the bull market over the last three years. Notably, the US market was the weakest of the developed markets over the period (-17% in local currency terms), reflecting its heavy weighting to such companies. Asia (-6%), particularly China (+5%), was the notable outperformer for the quarter.²

Our short positions were the strongest contributor to the Fund's performance, adding 7% to returns. On the long side, many of our Chinese investments provided a positive return, a good outcome given market circumstances. Online travel agent **Trip.com** (+19% over the quarter), parcel delivery giant **ZTO Express** (+10%) and property developer **China Overseas Land & Investment** (+6%) were key contributors to performance. Contributors outside of China included energy companies **Saras** (+99%) and **Suncor Energy** (+11%), and global insurance player **Beazley** (+19%).

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

2 MSCI USA Index, MSCI Asia ex Japan Index and MSCI China Index, respectively, in local currency. Source: MSCI.

Detractors from performance included **Allfunds** (European fund platform, -30%) and **St. James's Place** (UK wealth management, -24%). Both businesses have revenue streams based on assets under management, and as such, falling stock markets reduce short-term earnings. **MinbeaMitsumi** (industrial and electronic components, -14%) and **Microchip Technology** (semiconductors, -23%) saw share price declines due to concerns around slowing global growth prospects.

Changes to the Portfolio

The Fund's net invested position was reduced from 64% to 58% over the quarter. The make-up of that position changed substantially, with short positions reduced from 28% to 18%, and cash increased from 8% to 24%. This cautious positioning continues to reflect our concerns regarding the impact of rising interest rates on what has been a very speculative stock market.

The reduction in the short positions simply reflects that many positions were closed for significant gains. Indeed, the closure of short positions was greater than it appears, as a number of new short opportunities were identified and added during the period.

The increase in cash reflects both the banking of profits on shorts and the trimming of existing long positions that had performed well. These included **Mosaic** (fertilisers), **China Overseas Land & Investment** (Chinese residential property developer) and **Glencore** (mining, commodities trading).

We have been relatively cautious about putting funds to work in this environment, as we expect the market to provide a range of new opportunities in the months ahead. Having said that, we did add to existing positions in **JD.com**, **Allfunds** and **Infineon Technologies** (German semiconductor manufacturer).

Commentary

The focus of markets over the last quarter has returned to inflation and interest rates. While there is much debate around how many interest rate rises will be needed to suppress inflationary pressures and whether this pushes economies into recession, this misses the critical point for investors. The mechanism that created inflation is precisely the same one that created the extraordinary speculative bubble in stock prices. As discussed over the last two years in our reports, that mechanism was the rapid growth in money supply that resulted from the funding of government spending that occurred throughout 2020 and 2021 in response to the COVID-19 pandemic. As has been experienced in the past, this excessive growth in money supply found its way into rising asset prices over the course of the next two years.

Disposition of Assets

REGION	30 JUN 2022	31 MAR 2022	30 JUN 2021
Asia	24%	25%	25%
Europe	23%	24%	20%
North America	15%	21%	23%
Japan	8%	13%	12%
Australia	3%	8%	5%
Other	2%	3%	1%
Cash	24%	8%	13%
Shorts	-18%	-28%	-5%

See note 4, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2022	31 MAR 2022	30 JUN 2021
Industrials	16%	18%	20%
Financials	12%	13%	16%
Materials	11%	16%	16%
Consumer Discretionary	8%	7%	8%
Information Technology	6%	9%	12%
Energy	4%	4%	0%
Health Care	3%	5%	6%
Real Estate	3%	3%	3%
Communication Services	2%	3%	1%
Consumer Staples	0%	1%	-1%
Other	-8%	-16%	0%
TOTAL NET EXPOSURE	58%	64%	82%

See note 5, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Now, as government spending has receded over the last 12 months, money supply growth has fallen. In the US, M2 growth, having peaked at an annual rate of around 25% in 2020, then falling back to mid-teen levels during 2021, is now running at only 6%.³ In addition, interest rate rises will further suppress any potential bounce in money growth by discouraging private sector borrowing. Not only can one expect inflation to recede over the course of the next two years, but asset prices will also come under pressure. Additionally, we have the Fed starting to unwind its quantitative easing (QE) policy of the last decade. While QE had little discernible impact on the consumer price index (CPI) over the last decade, it almost certainly resulted in lower long-term interest rates. In doing so, it created a strong tailwind for not only stock markets but across a range of asset prices, including property, infrastructure and private equity.

Of course, this is already apparent with stock markets falling this year, particularly in the more speculative end of the market. The question is how much further is there to go. Many commentators will observe that valuations already look far more reasonable, particularly for many of the large market cap favourites of recent years, such as the FANGs and Microsoft. While certainly, this is the case, we would debate whether they are at attractive levels. More importantly, though, once monetary conditions change and bear markets take hold, what becomes more significant are the real-world effects on company earnings.

³ Source: Federal Reserve Bank of St. Louis. M2 includes cash, checking deposits, and easily-convertible near money.

Net Currency Exposures

CURRENCY	30 JUN 2022	31 MAR 2022	30 JUN 2021
United States Dollar (USD)	25%	21%	25%
Chinese Renminbi (CNY)	19%	18%	15%
Euro (EUR)	17%	16%	16%
Japanese Yen (JPY)	13%	13%	14%
UK Pound Sterling (GBP)	8%	6%	4%
Hong Kong Dollar (HKD)	4%	3%	6%
Canadian Dollar (CAD)	4%	4%	5%
South Korean Won (KRW)	4%	4%	5%
Australian Dollar (AUD)	3%	8%	5%
Indian Rupee (INR)	2%	2%	2%
Brazilian Real (BRL)	2%	2%	1%
Swiss Franc (CHF)	1%	1%	0%
Zambia Kwacha (ZMK)	0%	1%	1%

See note 6, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

We can already see that funding has dried up for start-ups and private companies, particularly in high-growth technology and e-commerce sectors. One can observe high-profile venture capital firms directing their investee companies to conserve cash and move toward profitability. Similarly, companies that have already listed and seen their stock price collapse will likely struggle to raise additional funds and will be under similar pressures to achieve profitability. Cost-cutting measures will see fewer software engineers writing code, cuts to advertising and promotional expenditures, and smaller sales teams. This will impact the sales and profits of a range of providers of software tools, cloud services and digital advertising. Additionally, the companies making the cuts will see their own growth rates slow, further impacting the price investors are willing to pay for their shares. Similar dynamics will play out across the broader economy, not just the technology sector, with impacts on profits across the board. Weakening profits will likely drive the next leg down in share prices.

At some point, we will see inflation subside and the central banks reverse their course on interest rates. The unanswered question is where will interest rates settle beyond this inflationary spike. We think it is unlikely they will return to near-zero levels, as investors, having suffered the inflationary consequences of very low rates, are likely to demand a positive real return on their funds. This means that even if inflation returns to pre-Covid levels of approximately 2%, interest rates of at least 2% to 3% should be expected. This would mean the strong tailwind of falling interest rates that have helped drive asset prices over the last decade will no longer be present. In this new environment, what has worked well for investors over the last 10 years, is unlikely to work in the years ahead.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
ZTO Express Cayman Inc	China	Industrials	3.4%
Ping An Insurance Group	China	Financials	2.8%
Microchip Technology Inc	US	Info Technology	2.6%
MinebeaMitsumi Co Ltd	Japan	Industrials	2.5%
UPM-Kymmene OYJ	Finland	Materials	2.3%
Trip.com Group Ltd	China	Cons Discretionary	2.1%
Shell PLC	Netherlands	Energy	2.1%
Beazley PLC	UK	Financials	2.0%
Samsung Electronics Co	South Korea	Info Technology	2.0%
Weichai Power Co Ltd	China	Industrials	1.9%

As at 30 June 2022. See note 7, page 21.

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-International-Fund.

Outlook

The backdrop of rising interest rates points to a difficult environment for stock market investors. However, despite the headwinds of rising rates, there are parts of the market that are attractively priced and offer the prospect of good returns in the medium term, as outlined below.

- Assets that have been priced in a completely different economic and interest rate environment.** China is the most significant opportunity in this set. Today, as a result of the collapse in residential property sales last year, the country has experienced its most significant economic slowdown since the opening of its economy in the 1980s. This slowdown has been exacerbated in recent months by the Covid-19 lockdowns in Shanghai and other major cities. However, prior to this slowdown, policymakers' intent to deleverage the economy in recent years has meant that there has been little in the way of monetary or fiscal measures to support the economy. Not only does this give the government leeway to now stimulate the economy as it moves beyond the Covid-19 lockdowns, but it also means that Chinese assets have been priced in a much less-supportive environment than in developed markets. Additionally, geopolitical concerns have weighed further on Chinese share prices. Today, investors can acquire a wide range of high-quality Chinese assets at very attractive valuations.
- Businesses that are yet to fully recover from the pandemic.** Travel-related businesses remain in the early stages of recovering from the travel restrictions of the last two years. Many have forgotten that travel has been a long-term secular growth story. We expect there will be a long period of "catch up" in leisure travel and a steady recovery in business travel, even in a subdued economic environment. The auto market has also been suppressed due to supply-chain issues throughout the pandemic. Once these are resolved, the sector should see a period of strong demand, buoyed by a combination of replacement demand and the move to electric vehicles.
- Other sectors that have been and remain deeply out of favour with investors.** We have frequently noted that in recent years, investors' risk aversion has led them to avoid businesses that display any degree of variability or cyclicity in their earnings. While these companies may not have the steady and reliable earnings streams that investors crave, they nevertheless can grow from one cycle to the next while displaying highly desirable characteristics, such as high returns on capital. We would include industrial and electronic components suppliers such as MinebeaMitsumi and Microchip Technology in this category. Again, with the setback in markets, many of these companies are trading at highly attractive valuations, even in a weakening economic environment.

The months ahead are likely to remain volatile as markets transition away from the near-zero interest rate environment. The Fund is positioned for this environment with its investments predominantly comprising profitable businesses trading at attractive valuations. Short positions continue to be held in the popular growth stocks and market indices to reduce the Fund's exposure to further market declines. Ample cash reserves will allow the Fund to take advantage of new opportunities as they arise.

Platinum Asia Fund

Performance

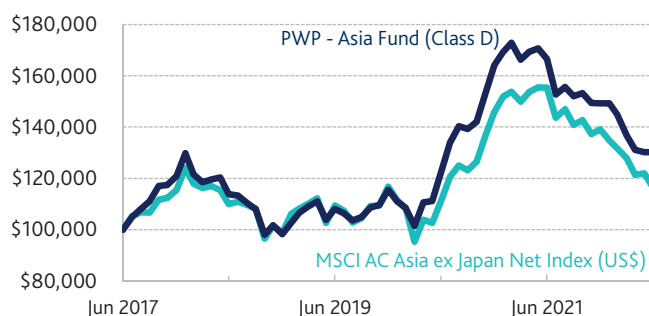
(compound p.a.⁺, to 30 June 2022)

SHARE CLASS	QUARTER	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PWP Asia Fund Class A USD	-5%	-21%	7%	6%	8%
PWP Asia Fund Class B USD	-5%	-22%	-	-	-18%
PWP Asia Fund Class D USD	-5%	-22%	6%	5%	8%
PWP Asia Fund Class F EUR	1%	-11%	-	-	10%
PWP Asia Fund Class G GBP	3%	-10%	8%	-	9%
PWP Asia Fund Class I USD	-5%	-21%	7%	6%	8%
MSCI AC Asia ex Jp Index [^]	-9%	-25%	2%	3%	6%

⁺ 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 21.

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

30 June 2017 to 30 June 2022



After fees and costs. See notes 1 & 3, page 21. **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 21.

Source: Platinum Investment Management Limited, FactSet Research Systems.



Andrew Clifford
Portfolio Manager



Cameron Robertson
Portfolio Manager

The Fund (Class D) returned -4.9% for the quarter and -21.9% for the year.¹

This quarter was somewhat the reverse of what we had seen recently, with Chinese assets generally performing reasonably well while most other markets across the region were weak. In China, the market responded to an economy that was starting to show signs of improvement as the latest wave of Covid lockdowns eased, while the government increasingly turned its attention to stimulating the economy. Meanwhile, in most other countries across the region, the impact of the broader global slowdown and withdrawal of global liquidity dragged on asset prices.

Many of our slightly faster-growing, more-innovative companies across China saw their shares perform well, including companies such as prosthetic joint manufacturer **AK Medical** (+26% over the quarter), online grocery delivery company **Dingdong** (+56%), robotics manufacturer **Estun Automation** (+22%), e-commerce platform **JD.com** (+8%) and computer game and office software maker **Kingsoft** (+20%).

Having moved past the latest round of relatively harsh Covid-induced lockdowns in China, there was also a renewed sense of optimism in the market around the reopening of travel and in-store retail, as people took heart from government actions like the reduction in quarantine

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.

requirements. This change in sentiment benefited portfolio holdings such as hotel chain **H World Group** (formerly known as Huazhu, +15%), travel website operator **Trip.com** (+19%) and fast-food chain **Yum China** (+10%).

The Indonesian market, while volatile through the quarter, also largely managed to hold its ground. Some of our investments exposed to that market benefited, including investment holding company **Jardine Cycle & Carriage** (+13%) and paints company **Avia Avian** (+4%).

Finally, in India, our holding in **Maruti Suzuki** (+12%) performed well on the back of news around much-anticipated SUV model launches.

The biggest detractors from performance for the quarter were our semiconductor holdings **Samsung Electronics** (-18%), **SK Hynix** (-23%) and **Taiwan Semiconductor Manufacturing** (-20%), which all declined as the global economic environment weakened and fears rose around the shorter-term outlook for major end markets like smartphones, laptops and PCs. Filipino property developer **Ayala Land** (-27%) also declined, likely largely in response to the rising interest rate environment but potentially also reflecting some hesitancy towards the country from global investors, given the recent election result. The final detractor worth highlighting is our holding in Indian airline **InterGlobe Aviation** (-20%), whose share price fell primarily in response to higher oil prices, as well as potentially some concerns around the capacity discipline of the industry as competitors placed orders for new aircraft.

Our index and stock-specific short positions all made modest positive contributions to performance during the quarter.

Changes to the Portfolio

Given the relatively more stable market backdrop in Asia this quarter, portfolio turnover returned to more normal levels as we continued our 'business as usual' process of refining and tweaking the portfolio positioning. It's also worth noting that our index short positions on the South Korean and Indian markets were closed, booking modest profits.

We exited the last of our position in strain wave gear manufacturer **Leader Harmonious Drive** during the quarter. We were increasingly coming across signs of potential for rising competitive intensity in the industry, both from the Japanese market leader keen to win back share and from new Chinese entrants who hoped to carve out positions for themselves. Some industry participants spoke bluntly about a desire to encourage or pursue price-based competition in an effort to shift market share. Leader Harmonious Drive remains a company we have been impressed by, and we will continue to monitor the industry dynamics, but for the moment, it seems prudent to watch from the sidelines.

Our holdings in Chinese property developers **China Vanke** and **China Overseas Land & Investment** were also reduced during the quarter. These stocks held up well over recent months, providing an opportunity to redeploy some of that capital into more prospective areas. While the Chinese property market is not completely out of the woods yet, the government has been making significant efforts to stabilise and re-start activity in the sector through relaxation of policy measures, leading to improved market sentiment towards our holdings, as well as signs of tangible improvements in underlying sector activity and transactions starting to show through in the month of June.

Disposition of Assets

REGION	30 JUN 2022	31 MAR 2022	30 JUN 2021
China	45%	43%	44%
India	8%	9%	7%
South Korea	8%	10%	11%
Taiwan	5%	7%	6%
Vietnam	5%	5%	4%
Hong Kong	4%	4%	7%
Philippines	1%	2%	1%
Singapore	1%	1%	1%
Macao	1%	1%	1%
Thailand	0%	0%	1%
Cash	20%	18%	16%
Shorts	-1%	-6%	0%

See note 4, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2022	31 MAR 2022	30 JUN 2021
Consumer Discretionary	18%	16%	19%
Information Technology	14%	16%	18%
Real Estate	13%	14%	9%
Industrials	11%	11%	12%
Financials	10%	10%	14%
Other	3%	-1%	3%
Communication Services	3%	3%	2%
Consumer Staples	3%	3%	2%
Materials	3%	3%	4%
Health Care	1%	1%	2%
TOTAL NET EXPOSURE	79%	77%	84%

See note 5, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Early in the quarter, we also modestly reduced our holdings in semiconductor companies **Samsung Electronics** and **Taiwan Semiconductor Manufacturing**. Our investment thesis around both these companies is focused on attractive supply-side industry dynamics, which we believe remain intact; however, with poor smartphone, laptop and PC sales, end demand is feeling more vulnerable, with enterprise and cloud markets the remaining primary areas of strength. We retain meaningful positions in both companies and still believe they are well positioned, but given how well their shares had held up in the face of deteriorating global demand, they were no longer quite the outstanding relative value they had previously been.

In India, we trimmed our holding in **Maruti Suzuki**, as the market welcomed news around their SUV model launches with great enthusiasm, sending the share price to levels we felt no longer presented such compelling value.

As you may have heard us discuss previously, we believe there remains a significant opportunity to invest in emerging leaders and interesting smaller businesses across the region that may be off the radar of most global investors. One new holding we introduced during the quarter is a dominant manufacturer and distributor of water and air purifiers, holding more than 50% market share in their home market and growing rapidly into other countries across Asia. The company earns strong returns on capital, bears only a modest debt load, and yet we were able to purchase shares in this company for just ten times their prior years' earnings, while the company's earnings are expected to continue to deliver healthy growth.

Another new name we added to the portfolio is the recently listed leader in the Chinese public cloud call centre software market, **TI Cloud**. Unlike many of their global peers in the cloud software space, TI Cloud has well and truly proven their ability to generate healthy profit margins while growing. Their customer list is a "who's who" of corporates across China, including the likes of car manufacturers BMW and Toyota, ICBC bank, insurance provider PICC, and tech leaders like Alibaba, ByteDance and JD.com. We are investing alongside the founder, who still runs the business, and we are paying just a fraction of the price that comparable businesses in Western markets command. We believe we've been given this opportunity as their headline revenue growth has slowed over the past couple of years, deterring many investors. However, the slowdown in sales appears to have been driven by external factors that impacted their customer base and will not be repeated, so our expectation is that the company's headline growth rate should improve once again. As the leader in a fragmented and consolidating market, with three-quarters of their target customer base yet to migrate to the public cloud and certain parts of the portfolio showing relatively explosive growth, we are excited about the prospects for TI Cloud over the coming years.

We also took the opportunity to continue adding to positions in Indonesian paints company **Avia Avian**, Filipino property developer **Ayala Land** and Chinese grocery delivery company **Dingdong**. During the quarter, it was encouraging to see Dingdong making meaningful continued progress towards proving out their business model, with sizeable improvements in things like average order size, gross margins, and various measures of operational efficiency. It will be particularly

Net Currency Exposures

CURRENCY	30 JUN 2022	31 MAR 2022	30 JUN 2021
Chinese Renminbi (CNY)	45%	43%	44%
Hong Kong Dollar (HKD)	17%	18%	17%
South Korean Won (KRW)	8%	10%	11%
Indian Rupee (INR)	8%	6%	8%
United States Dollar (USD)	6%	6%	5%
New Taiwan Dollar (TWD)	5%	7%	6%
Vietnamese Dong (VND)	5%	5%	4%
Philippine Peso (PHP)	1%	2%	1%
Singapore Dollar (SGD)	1%	1%	1%
Macanese Pataca (MOP)	1%	1%	1%
UK Pound Sterling (GBP)	1%	1%	1%

See note 6, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	4.7%
Samsung Electronics Co	South Korea	Info Technology	3.9%
ZTO Express Cayman Inc	China	Industrials	3.9%
Ping An Insurance Group	China	Financials	3.8%
Vietnam Ent Investments	Vietnam	Other	3.5%
Tencent Holdings Ltd	China	Comm Services	3.4%
China Resources Land Ltd	China	Real Estate	3.3%
InterGlobe Aviation Ltd	India	Industrials	3.0%
Alibaba Group Holding	China	Cons Discretionary	3.0%
JD.com Inc	China	Cons Discretionary	2.7%

As at 30 June 2022. See note 7, page 21.

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.

interesting to see how the company has fared throughout and following the Covid-induced lockdowns across some of their core markets, as there are signs this may have encouraged a large number of new customers to try out their offering. The scepticism around Dingdong's business model is such that if they can demonstrate even a moderate degree of continued operational success, we believe it could result in a substantial re-evaluation of their shares by many market participants.

During the quarter, we also modestly added to our position in parcel delivery company **ZTO Express**. Through the first half of the year, results and feedback across the sector have been painting a consistent picture of increasingly favourable dynamics. The industry has long benefited from rapid e-commerce-driven volume growth, but this historically attracted a steady stream of competition with seemingly endless amounts of money being thrown at players trying to carve out a position. More recently, however, some less-efficient players have finally reached their limits, unable to achieve a competitive cost structure. The regulator has also become increasingly vocal about the negative impacts of such severe price competition and the corresponding downstream effects of this on worker safety and pay, demanding companies resolve these issues. These factors led to rationalisation in the competitive environment, and we have seen pricing and profits improve dramatically. There remains a degree of caution in the market about whether these newly improved conditions are here to stay or simply a temporary reprieve. We believe this could be the start of a new, more stable phase of relative maturity for the industry, with the enormous scale and corresponding efficiency of the dominant players now essentially beyond dispute. Should these conditions hold, we have high hopes for our position in ZTO.

Commentary

The market environment within and outside of China has been consistently moving to the beat of different drums. For most markets across the region, ex-China, the focus tended to be on inflation, interest rates, and the impact these factors were having on global demand. Interestingly, by some measures, many of these countries actually experienced slightly more muted inflationary impulses than what certain developed countries have experienced. Central banks across the region have tended to be more on the front foot, maintaining positive real yields. Nevertheless, many countries responded with protectionist measures in an effort to try and cushion their own population from some of the price swings. For example, Indonesia severely restricted palm oil exports, India imposed duties on steel exports, and China put export controls on petroleum products. There are concerns that

rising rates may dent demand, slow the global economic environment, and raise the cost of capital, while the spectre of quantitative tightening hangs over global capital markets, sapping some enthusiasm out of asset prices.

Across the region, **Indonesia** has been perceived as the 'winner of the moment', given its import/export mix. As such, many investors scrambled to buy Indonesian assets. Meanwhile, markets considered more sensitive to global economic conditions, like **South Korea**, have been shunned.

The **Philippines** also perhaps deserves mention for the resounding win the electorate handed to new President Marcos Jr. Some observers point out that the election may have suffered from significant amounts of misinformation spread through online channels. There are also reservations held by those international observers who remember his father's rule in a different light to how the newly elected President portrayed it throughout the campaign. The new government's actions will likely be scrutinised closely as people try to ascertain the similarities and differences of approach from those of years past. This may have also contributed to weakness in that market.

Meanwhile, **China's** markets and economy have been moving fairly independently of other markets. The domestic economy was already weak and had been slowing for a while, with labour slack in the system and not having had any real stimulus or quantitative easing over recent years in response to Covid. This setup is in stark contrast to the starting point for most developed markets. As such, after Covid lockdowns started easing in late May, the Chinese government began forcefully trying to re-invigorate the economy and stimulate activity. Hence Chinese markets, coming from low valuation levels, actually rose reasonably meaningfully throughout June, despite global headwinds.

Outlook

As always, it is near impossible to opine with any confidence about the future direction of broad markets. That said, for the moment at least, in many markets, inflation and interest rate rises appear set to remain for a little longer yet, and that's likely a challenging setup for global markets. Fortunately, it appears most countries across the Asian region are a little ahead of the curve compared to developed markets and so may fare better. Valuations obviously vary across the region by market, sector and company but largely remain reasonable, which portends well for our ability to continue finding attractive investment opportunities. Also, as discussed above, the setup in the Chinese market is somewhat different from elsewhere, and this may actually prove to be a more stable foundation for positive market performance, although only time will tell.

Platinum Japan Fund



James Halse
Portfolio Manager

Performance

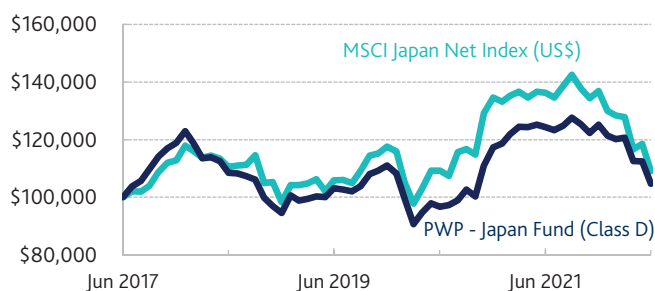
(compound p.a.⁺, to 30 June 2022)

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

⁺Excluding quarterly returns. Fund returns are net of accrued fees and costs. Class D inception date (16 Nov 2015) is used for Index "since inception" returns. [^] Index returns are those of the MSCI Japan Net Index in USD. Source: Platinum Investment Management Limited, FactSet Research Systems. **Historical performance is not a reliable indicator of future performance. Returns could be reduced, or losses incurred due to currency fluctuations.** See notes 1 & 2, page 21.

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

30 June 2017 to 30 June 2022



After fees and costs. See notes 1 & 3, page 21. **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 21.

Source: Platinum Investment Management Limited, FactSet Research Systems.

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

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

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

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

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

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

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

Changes to the Portfolio

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

Commentary

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

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

Disposition of Assets

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

See note 4, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

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

See note 5, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Currency Exposures

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

See note 6, page 21. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

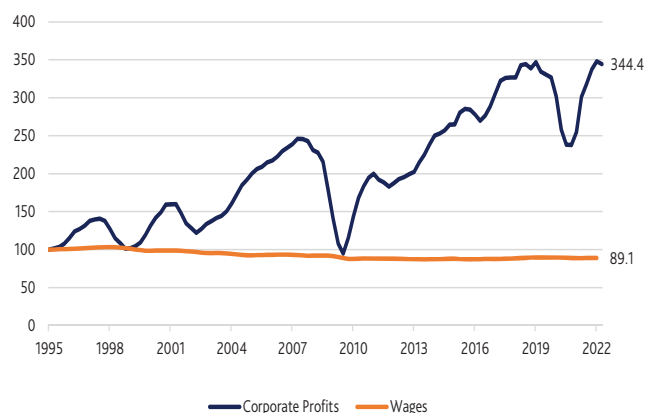
³ Source: FactSet Research Systems.

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

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

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

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



Source: FactSet Research Systems.

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

Top 10 Holdings

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

As at 30 June 2022. See note 7, page 21.

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.

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

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

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

Outlook

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

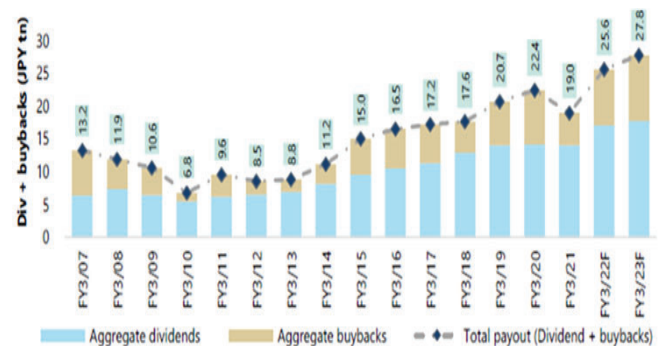
The ongoing improvement in corporate governance in Japan is steadily continuing, aided by shareholder engagement, which has driven success stories such as Olympus⁸ and has now spread widely, beyond the headline-grabbing situations such as those of Toshiba, into stocks such as Fuji Soft and Fujitec mentioned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

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

⁷ Source: Jefferies.

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

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



Source: FactSet Research Systems, Bloomberg, Jefferies.

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

2. The portfolio inception dates for each active share class of the 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 F EUR (Accumulating) (ISIN: IE00BYRGR183): 4 April 2017

Class B USD (Accumulating) (ISIN: IE00BYRGR076): 2 December 2016
 Class E EUR (Accumulating) (ISIN: IE00BYRGR415): 16 October 2020
 Class G GBP (Accumulating) (ISIN: IE00BYRGR290): 27 April 2016

• Platinum World Portfolios - Asia Fund:

Class A USD (Accumulating) (ISIN: IE00BYRGR522): 10 March 2017
 Class D USD (Accumulating) (ISIN: IE00BYGRD06): 16 November 2015
 Class F EUR (Accumulating) (ISIN: IE00BYRGR969): 3 February 2020
 Class I USD (Accumulating) (ISIN: IE00BYMJ5524): 19 January 2017

Class B USD (Accumulating) (ISIN: IE00BYRGR639): 27 January 2021
 Class E EUR (Accumulating) (ISIN: IE00BYRGR852): 16 October 2020
 Class G GBP (Accumulating) (ISIN: IE00BYRGRB81): 19 February 2019

• Platinum World Portfolios - Japan Fund:

Class A USD (Accumulating) (ISIN: IE00BYGRF20): 11 January 2016
 Class F EUR (Accumulating) (ISIN: IE00BYGRRL89): 18 October 2017

Class D USD (Accumulating) (ISIN: IE00BYGRJ67): 16 November 2015

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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