

8 October 2021

The Manager  
ASX Market Announcements  
Australian Securities Exchange Limited  
Sydney NSW 2000

### Monthly Net Tangible Asset Update

The unaudited **pre-tax** net tangible asset (**pre-tax NTA**) backing per share of Platinum Asia Investments Limited (**PAI**) as at 30 September 2021 was \$1.2334 per share (as at 31 August 2021 it was \$1.2461).

The unaudited **post-tax** net tangible asset (**post-tax NTA**) backing per share of PAI as at 30 September 2021 was \$1.1837 per share (as at 31 August 2021 it was \$1.1922 per share).

The pre-tax NTA was calculated in accordance with Australian Accounting Standards, based on the fair value of all investments. The post-tax NTA is the pre-tax NTA after provision for tax on **both** realised and unrealised income and gains.

At 30 September 2021, the PAI share price was \$1.095.

The 30 September 2021 monthly update for PAI is attached to this announcement. For more information in relation to PAI please refer to the website at:

[www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited](http://www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited)

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MONTHLY REPORT 30 September 2021

## FACTS

Portfolio value	\$453.63 mn
Portfolio commenced	15 September 2015
Current share price	\$1.095
Current dividend yield	9.13%
Pre-tax NTA	\$1.2334
Post-tax NTA	\$1.1837
Maximum franked dividend	10.76 cps
NTA retained earnings & div profit resv.	19.20 cps

## PERFORMANCE<sup>1</sup>

	Company % (Pre-tax NTA)	MSCI %
1 month	(1.0)	(3.0)
3 months	(4.9)	(5.8)
6 months	(3.6)	(1.0)
Calendar year to date	(0.2)	3.1
1 year	9.5	13.5
2 years (compound pa)	16.6	12.2
3 years (compound pa)	12.2	9.3
5 years (compound pa)	12.9	11.4
Since inception (compound pa)	10.9	10.6

PAI's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PAI's returns have not been calculated using PAI's share price.

## INVESTED POSITIONS<sup>3</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	87.4	(0.5)	86.9	90.8
China	47.4		47.4	47.4
Hong Kong	6.8		6.8	10.0
Taiwan	5.5		5.5	5.5
India	10.0	(0.5)	9.6	10.1
Japan				0.2
Macao	0.9		0.9	0.9
Philippines	1.5		1.5	1.5
Singapore	1.2		1.2	1.2
South Korea	9.2		9.2	9.2
Vietnam	4.8		4.8	4.8
<b>Europe</b>				0.5
United Kingdom				0.5
<b>North America</b>				8.7
United States of America				8.7
<b>Sub-Total</b>	87.4	(0.5)	86.9	100.0
<b>Cash</b>	12.6	0.5	13.1	
<b>Total</b>	100.0		100.0	100.0

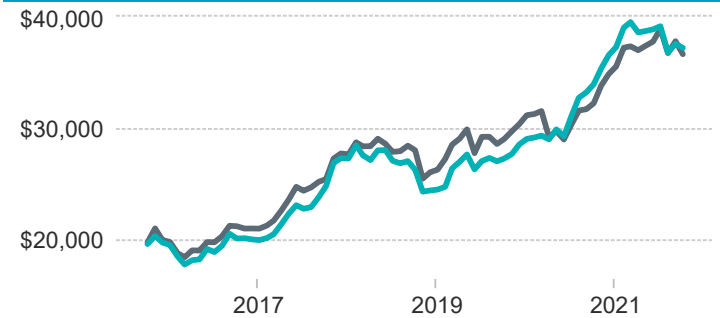
Long - 61 stocks, 1 swap Short - 1 swap, 1 index

## FEES

Management fee:	1.10% p.a. (excl. GST) of portfolio value* plus
Performance fee:	15.00% p.a. (excl. GST) of outperformance over benchmark (MSCI All Country Asia ex Japan Net Index (A\$))

\*The portfolio value is the market value of the investments in the portfolio after the deduction of fees and expenses, adjusted for taxes, corporate actions and dividends.

## PERFORMANCE GRAPH<sup>2</sup>



PAI's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PAI's returns have not been calculated using PAI's share price.

## TOP TEN POSITIONS<sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	4.9
Samsung Electronics Co	South Korea	Info Technology	4.5
Tencent Holdings Ltd	China	Comm Services	3.9
ZTO Express Cayman Inc	China	Industrials	3.7
Vietnam Ent Investments	Vietnam	Other	3.5
Alibaba Group Holding Ltd	China	Cons Discretionary	3.4
AIA Group Ltd	Hong Kong	Financials	3.4
InterGlobe Aviation Ltd	India	Industrials	3.3
Weichai Power Co Ltd	China	Industrials	3.3
Ping An Insurance Group	China	Financials	3.0
<b>Total</b>			<b>36.9</b>

## INDUSTRY BREAKDOWN<sup>3</sup>

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	19.1		19.1
Financials	15.0		15.0
Information Technology	14.3	(0.5)	13.8
Industrials	13.2		13.2
Real Estate	9.8		9.8
Materials	4.1		4.1
Communication Services	3.9		3.9
Consumer Staples	2.5		2.5
Health Care	2.0		2.0
Other	3.5		3.5

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1. & 2. Source: Platinum for portfolio returns and Fitch Research Systems for MSCI returns. The returns are calculated relative to the MSCI All Country Asia ex-Japan Net Index in A\$. The investment returns in the line graph are cumulative on A\$20,000 invested in PAI since inception. **Past performance is not a reliable indicator of future returns.** Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only.

3. The "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of PAI's portfolio value. The "Currency %" is the effective currency exposure of PAI's portfolio as a percentage of its portfolio value, taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. For the "Industry breakdown", 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".

3. and 4. Country classifications for securities reflect Bloomberg's "country of risk" designations, and currency classifications for securities reflect the relevant local currencies of our country classifications.

4. The "Top ten positions" show PAI's top ten long securities positions as a percentage of PAI's portfolio value (including long securities and long securities derivative positions).

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## MARKET UPDATE AND COMMENTARY

- Asian markets were weak in September.
- Our contrarian holdings worked well in the month.
- The case for China – a cheap equity market and a system which has been reducing gearing for a decade.

### Asian markets weak in September

Non-Japan Asian markets were weak in September, as was the portfolio, albeit considerably less so as various of our contrarian holdings worked well in the month. Property developers China Resources Land and China Vanke were among the portfolio's strongest performers for the month. In our view, some of the indiscriminate selling in the sector reversed during September. Regulatory pressure on highly indebted property developers is positive for the larger, better-run and much better-capitalised property developers that we own, which are on all-time low valuations.

### No evidence of calamity

Among the detractors for the portfolio was Alibaba – we have reinitiated a position in the company, which in our view will be a larger business generating strong earnings in five years' time. Some patience may be required though. Also among detractors for the month are our holdings in chip makers Taiwan Semiconductor Manufacturing and Samsung Electronics: these are long-term holdings in a consolidated industry with its most rational industry structure in decades. So, while the equity market frets about the potential for chip prices to decline from recent peaks, we are much more interested in the excellent returns these high-quality industrial firms can generate in coming years from current, undemanding valuations.

What is remarkable about the current iteration of "China crisis" headlines is how little markets are moving in response – the Shanghai Composite Index is well off its highs for the year, but basically flat for the year to date and up healthily over three years, interbank rates and China credit default spreads are not reflecting any distress, and commodity prices remain very strong. Indications are that the Chinese economy remains very healthy.

Producer prices rose 9.5% in August and the profit of industrial enterprises in August grew 10.1% vs. a year ago (Source: CICC). China's rapid economic growth is causing some strain on its power system. Thermal coal prices are rising to historically high levels globally and some power rationing is occurring in industrial firms within China, in order to allow households to avoid such rationing. Household power demand was up 12.5% vs. a year prior in August – hardly an indication of collapsing economic activity (Source: Citi).

### Revisiting the case for Chinese equities

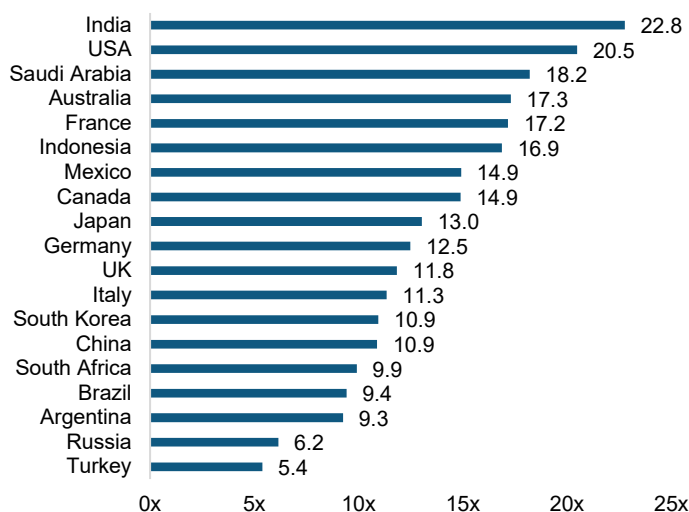
It is worth reiterating the investment case for China. In 2007, the Chinese equity market was the most expensive major market in the world on a price-to-earnings (P/E) basis, at 27x forward earnings (Source: Credit Suisse, using the MSCI AC China Index). Its economy was lauded for growing at staggering rates – 12% that year. And the country's economic model seemed unassailable. The Shanghai Composite fell 68% in a matter of months and it remains 38% below its 2007 peak some 14 years later (Source: FactSet, as at 4 October 2021). Hence our view that, in equity market terms, China does not look like a country that is about to have a financial crisis – it looks like a country that has already had one. The MSCI AC World China has de-rated from 27x in 2007 to 11x at present, going from one of the world's most expensive equity markets to among its cheapest (Source: Credit Suisse).

China's property price appreciation has been entirely unremarkable by global standards, its interest rates are among the highest of any major economy globally, first home buyers require ~30% deposits. This latter point does not get reported remotely enough: since the post GFC debt binge ending in 2010, credit growth in China has been below nominal GDP (see accompanying chart).



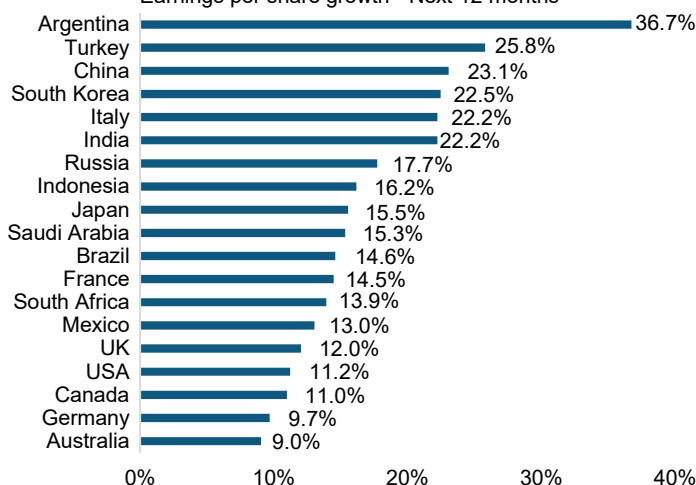
Source: Chart 3 - FactSet. Data to 31 August 2021.

Major market price-earnings ratios - Next 12 months



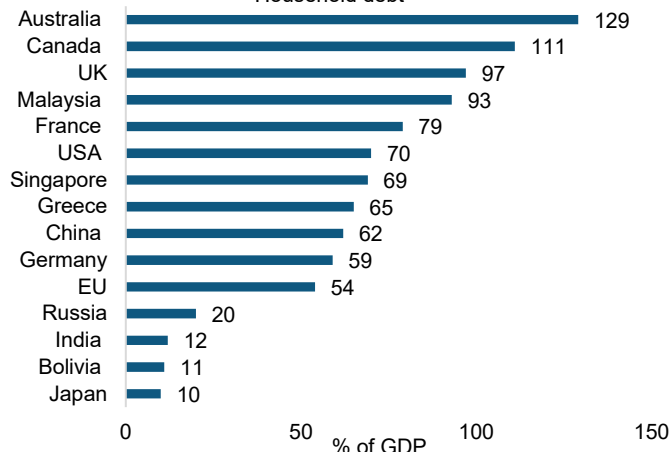
Source: Chart 1 – IBES consensus, in local currency. Correct as at 7 October 2021.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 7 October 2021.

Household debt



Source: Chart 4 – Correct as at 7 October 2021.