Platinum Asia Fund ARSN 104 043 110

MONTHLY REPORT **30 April 2021**

FACTS

Portfolio value	$5.31 bn
Fund commenced	04 March 2003
Minimum investment	A$10,000 or NZ$10,000
Regular Investment Plan (min.)	A/NZ$5,000 plus A/NZ$200 mth/qtr
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App - 3.2398 Red - 3.2268
Unit prices P Class	App - 1.1496 Red - 1.1450

FEES

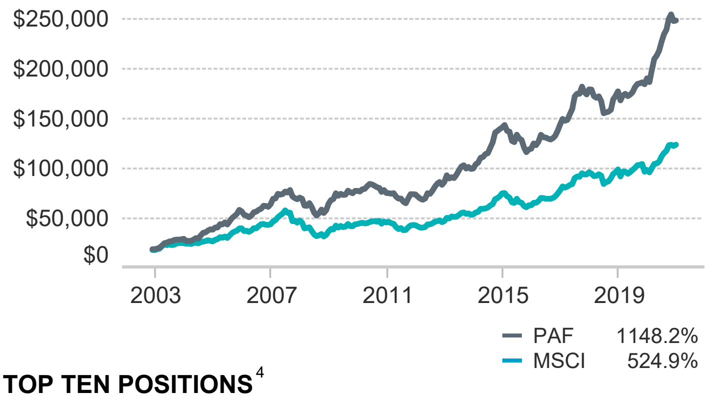
Entry fee	Nil
Buy/sell spread	0.20%/0.20%
C Class	Investment management 1.35% p.a. Investment performance N/A
P Class	Investment management 1.10% p.a. Investment performance 15.00% p.a.*

* of the amount by which the Fund's return exceeds its index return

PERFORMANCE [1]

	C Class %	P Class %	MSCI %
1 month	0.2	0.3	1.0
3 months	(0.8)	(0.7)	0.4
6 months	9.3	9.4	10.4
Calendar year to date	3.9	3.9	5.1
1 year	30.3	29.6	25.4
2 years (compound pa)	18.3	17.9	11.7
3 years (compound pa)	11.4	11.3	8.7
5 years (compound pa)	15.6		14.3
7 years (compound pa)	13.8		12.4
10 years (compound pa)	12.6		10.3
Since inception (compound pa)	14.9	13.9	10.6

PERFORMANCE GRAPH [2]



INVESTED POSITIONS [3]

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	80.7	(0.3)	80.3	88.6
Australia				0.1
China	43.7		43.7	44.0
Hong Kong	7.3		7.3	14.7
Taiwan	5.4		5.4	5.4
India	6.3		6.3	6.3
Japan		(0.3)	(0.3)	0.1
Macao	0.9		0.9	0.9
Philippines	1.1		1.1	1.1
Singapore	1.4		1.4	1.4
South Korea	10.2		10.2	10.2
Thailand	1.3		1.3	1.3
Vietnam	3.1		3.1	3.1
Europe				0.3
United Kingdom				0.3
North America				11.1
United States of America				11.1
Sub-Total	80.7	(0.3)	80.3	100.0
Cash	19.3	0.3	19.7	
Total	100.0		100.0	100.0

Long - 54 stocks, 1 swap Short - 1 swap

TOP TEN POSITIONS [4]

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co	South Korea	Info Technology	4.9
Taiwan Semiconductor	Taiwan	Info Technology	4.8
ZTO Express Cayman Inc	China	Industrials	3.4
AIA Group Ltd	Hong Kong	Financials	3.4
Ping An Insurance Group	China	Financials	2.9
Vietnam Ent Investments	Vietnam	Other	2.9
Weichai Power Co Ltd	China	Industrials	2.8
SK Hynix Inc	South Korea	Info Technology	2.8
Kingsoft Corp Ltd	China	Info Technology	2.6
Huazhu Group Ltd	China	Cons Discretionary	2.6
		Total	33.0

INDUSTRY BREAKDOWN [3]

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	17.5		17.5
Information Technology	16.4		16.4
Financials	13.1		13.1
Industrials	12.7		12.7
Real Estate	9.2		9.2
Materials	3.3	(0.3)	3.0
Communication Services	2.3		2.3
Consumer Staples	2.1		2.1
Health Care	1.2		1.2
Other	2.9		2.9

1. & 2. Source: Platinum for Fund returns and Factset Research Systems for MSCI returns. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread) for C Class and P Class (as indicated), and represent the combined income and capital returns for each of these unit classes in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee. The returns are calculated relative to the MSCI All Country Asia ex-Japan Net Index in A$. Since inception date for C Class is 04/03/03 and for P Class is 03/07/17. Since inception date of C Class has been used for the purposes of calculating since inception returns of the index. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class units in the Fund since the C Class inception date. 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 geographic "Long %" is the exposure to long securities and long securities/index derivative positions, the geographic "Short %" is the exposure to short securities and short securities/index derivative positions and the geographic "Net %" is the difference between the geographic "Long %" and the geographic "Short %", each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. The cash "Long %" includes cash at bank, cashflows expected from forwards and effective cash exposures resulting from long securities/index derivative positions, the cash "Short %" includes effective cash exposures resulting from short securities/index derivative positions and the cash "Net %" is the difference between the cash "Long %" and the cash "Short %", each as a percentage of the market value of the Fund's portfolio. 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".

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

MARKET UPDATE AND COMMENTARY

- China travel companies perform well amid economic reopening.
- Competition regulation for Chinese tech companies continues to tighten.
- Select Chinese property developers look attractive.

April saw modest positive returns for the Fund, with travel and property development holdings performing well, while Chinese tech firms detracted.

Strong but unsurprising growth in China

During the month, it was reported that China's first-quarter gross domestic product (GDP) grew by 18.3% year-on-year, versus the annual rate of 6.5% recorded in the previous quarter. This extraordinary number was conditioned by the base effect caused by COVID-19, and was marginally lower than consensus expectations (Source: CICC, Northern Trust).

Unsurprisingly, internal tourism in China has staged a huge recovery - trips over the Labor Day holiday rose 120% versus 2020 (Source: Northern Trust, citing the Ministry of Culture and Tourism). For context, the growth rate versus 2019 was 3.2%. We have been exposed to the reopening theme in China via hotel operator **Huazhu**, which was amongst our top contributors for the month, continuing its recent strong performance.

Ongoing competition scrutiny in Chinese tech

At the end of April, it was revealed that **Tencent** will face a large fine for anti-competitive practices, joining **Alibaba** in that regard (Source: Al Jazeera). The regulator is arguing that Tencent and its former subsidiary Tencent Music achieved market dominance by acquiring competitor China Music Corporation in 2016 without going through merger review filings, required under Chinese regulation. In addition to the fine, Tencent Music may be forced to divest assets. One particular issue highlighted, is that Tencent Music has signed exclusive agreements with major international recording labels ahead of its initial public offering (IPO), allowing it to retain a percentage of content under an exclusive basis. Now, the regulator appears to be forcing an equal playing field when it comes to content. This may see the competitive dynamics move toward those in the West, where there is little content differentiation between, say, Spotify and Apple, and instead, such providers need to differentiate on user experience.

Our expectation is that all the big players will be fined and presented with some rectification measures, such as asset disposals, as part of China's ongoing competition crackdown in tech. For instance, the State Administration for Market Regulation (SAMR) announced in late April that it had launched an investigation into monopolistic behaviour by shopping and services app provider **Meituan** (Source: Company filings). This is an interesting divergence from the more *laissez faire* approach to competition of tech firms adopted in the West.

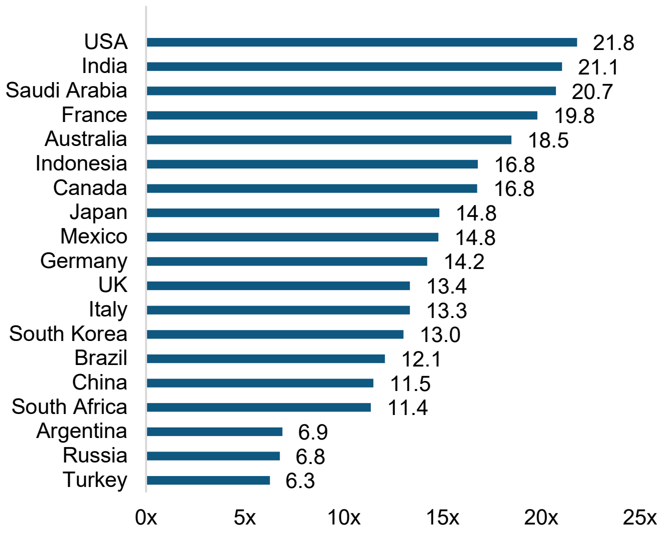
We retain holdings in various Chinese technology companies and continue to see these firms as attractive in the long term, notably Tencent, but at significantly smaller position sizes than previously. This is in part a reaction to Chinese regulatory scrutiny, but is also a function of reorientation of the portfolio away from 'COVID winners' toward reopening and reflation winners, such as travel-related stocks, plus industrials and financials.

A word on Chinese property developers

Among the more cyclical sectors we have moved toward is Chinese property development – notably **China Resources Land**. Contrary to the 'ghost cities' of popular imagination, over the past 20 years, China has completed residential construction of 11,015 million square metres (sqm), that is roughly 124 million apartments of 89sqm size, noting that 70% of apartments in China need to be smaller than 90sqm by law (Source: CLSA). Assuming a household size of three people, those apartments are now housing around 371 million people, versus China's urban population of 848 million in 2019 (Source: State Council of the People's Republic of China). That means there are almost half a billion people living in properties of greater than 20 years of age – and China only started building modern housing when it liberalised the housing market in the 1990s (Source: Australian National University). The older housing stock is of poor quality, often with shared bathrooms and kitchens between multiple apartments.

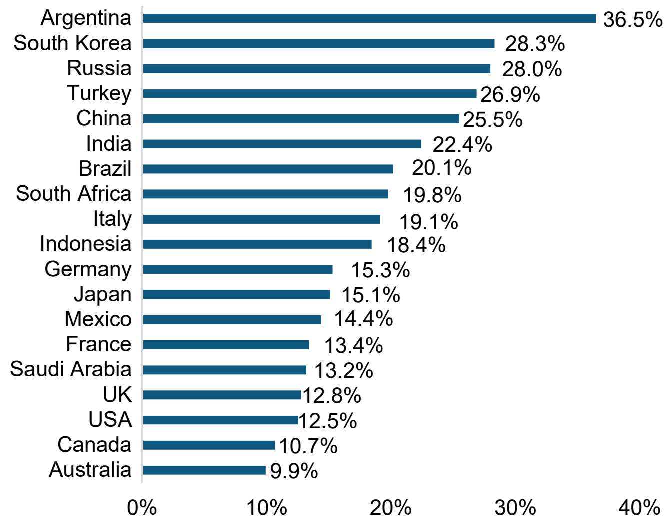
Moreover, property developers in China have a track record of delivering strong returns to shareholders and the larger, high-quality developers with strong balance sheets should be advantaged by government moves to control gearing and drive consolidation in the sector. China Resources Land is on a price-to-earnings multiple of approximately 7.5 times and a price-to-book ratio of just over 1 – this for a company with a history of delivering mid-to-high teen returns on equity (Source: FactSet).

Major market price-earnings ratios - Next 12 months



Source: Chart 1 – IBES consensus, in local currency.
Correct as at 6 May 2021.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency.
Correct as at 6 May 2021.

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