

## FACTS

Portfolio value	\$5.30 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/qrt
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App - 3.2499 Red - 3.2369
Unit prices P Class	App - 1.1534 Red - 1.1487

## PERFORMANCE<sup>1</sup>

	C Class %	P Class %	MSCI %
1 month	0.3	0.3	1.0
3 months	(2.1)	(1.9)	1.1
6 months	6.2	6.3	8.3
Calendar year to date	4.2	4.3	6.2
1 year	33.3	32.7	29.9
2 years (compound pa)	21.6	21.2	16.5
3 years (compound pa)	11.6	11.4	9.6
5 years (compound pa)	14.7		13.6
7 years (compound pa)	13.2		12.0
10 years (compound pa)	12.6		10.3
Since inception (compound pa)	14.9	13.7	10.6

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

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	80.0	(0.8)	79.2	89.0
Australia				0.2
China	42.6	(0.3)	42.3	42.7
Hong Kong	7.1		7.1	15.7
Taiwan	5.3		5.3	5.3
India	7.3		7.3	7.3
Japan		(0.5)	(0.5)	0.1
Macao	0.9		0.9	0.9
Philippines	1.3		1.3	1.3
Singapore	1.4		1.4	1.4
South Korea	9.8		9.8	9.8
Thailand	0.9		0.9	0.9
Vietnam	3.4		3.4	3.4
<b>Europe</b>				0.3
United Kingdom				0.3
<b>North America</b>				10.7
United States of America				10.7
<b>Sub-Total</b>	80.0	(0.8)	79.2	100.0
<b>Cash</b>	20.0	0.8	20.8	
<b>Total</b>	100.0		100.0	100.0

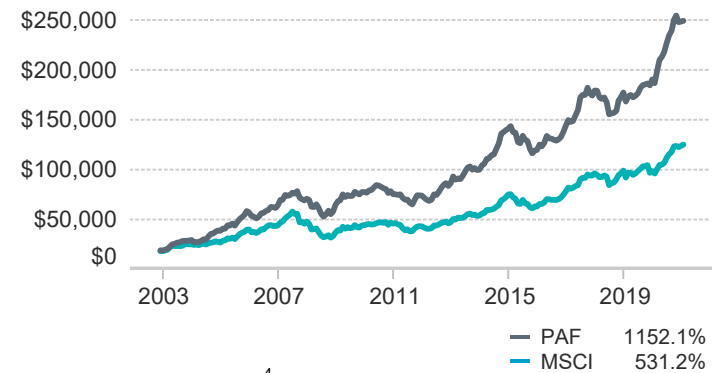
Long - 58 stocks, 1 swap Short - 2 swaps

## 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 GRAPH<sup>2</sup>



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

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
Vietnam Ent Investments	Vietnam	Other	3.1
Ping An Insurance Group	China	Financials	2.9
Weichai Power Co Ltd	China	Industrials	2.8
SK Hynix Inc	South Korea	Info Technology	2.8
China Resources Land Ltd	China	Real Estate	2.5
Kingsoft Corp Ltd	China	Info Technology	2.5
<b>Total</b>			32.9

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

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	17.7	(0.3)	17.3
Information Technology	16.3		16.3
Financials	13.6		13.6
Industrials	11.9		11.9
Real Estate	8.9		8.9
Materials	3.5	(0.5)	3.0
Communication Services	2.1		2.1
Consumer Staples	1.7		1.7
Health Care	1.3		1.3
Other	3.1		3.1

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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 C 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). All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>

## MARKET UPDATE AND COMMENTARY

- China's economy strong, but slowing marginally.
- India's COVID tragedy impacting the economy, but market looks through it.
- South Korea deals with huge export growth.

The Fund posted a small positive return in May, driven in particular by China Merchants Bank, Ping An Bank and Chinese consumer discretionary stocks Anta Sports, Trip.com, Yum China and Li Ning, as the Chinese economy continued its strong performance post COVID. Detractors for the month were a mixed bag, but notably Alibaba continued its share price malaise following regulatory scrutiny and was a negative contributor for the month. That said, we believe the stock remains attractively valued given its dominant position and expected ongoing growth potential.

### China's economy – strong, but slowing at the margin

China's April wholesale car sales were up 10.8% year-on-year, April outstanding loan growth was up 12.3% year-on-year and April M2 money supply increased 8.1% year-on-year (Source: CICC). Clearly, Chinese economic performance remains robust. However, it appears to be slowing at the margin. Short-term and interbank interest rates have eased as government attempts to prevent overheating appear to be working (Source: FactSet, CICC). Upstream inflation is very high: last month the April Producer Price Index was released with a reading of 6.8% versus the prior April, while the Consumer Price Index was merely 0.9% year-on-year (Source: CICC, Reuters). There are likely some one-offs in this, notably an easing in food prices, with greater availability of pork following disease-related supply disruptions last year, but there is some degree of margin compression in downstream industries occurring as competitive end markets curb companies' ability to pass on rising input costs. Further, Yuan strength is likely crimping growth at the margin, with the USD/CNY exchange rate below 6.4 for the first time since 2018 in May (Source: FactSet).

Fund holding **ZTO Express**, China's largest logistics and fulfilment company, announced its first quarter 2021 results in late May. Revenue rose 65% versus 2020 and non-GAAP net profit rose 23% (non-Generally Accepted Accounting Principles is an alternative accounting method used to measure the earnings of a company), parcel volume rose 89% and the company's market share rose 1.5% to 20.4% (Source: Company filings, CICC).

Fund holding **JD.com**, a Chinese e-commerce giant, announced its first quarter 2021 results. Revenue increased 39% versus the prior year and the company posted a profit of RMB4 billion (Source: Company filings, CICC).

One of the Fund's key contributors in recent months, Chinese online travel agent **Trip.com**, recorded greater than 30% growth in order volume for the five-day Labour Day period (May 1-5) compared to 2019 (Source: CICC).

In late May, Xinhua News Agency reported that China will allow urban couples to have three children, up from the previous two and further reversing the decades of the One Child Policy. We view this as peripheral – China's move to allow two children has had little effect.

May saw further ambitious industrial targets in China. The New York Times reported on the country's target to produce eight million electric vehicles by 2028, roughly equivalent to the rest of the world combined. Sina.com reported on China's targets around chemicals self-sufficiency following the conclusion of the 14th Five-Year Plan: the country aims to be 70% self-sufficient in high-end polyolefins from 50% currently, 85% self-sufficient in engineered and specialty plastics and an exporter of polyurethane materials by 2025.

### India's COVID outbreak biting, but market looking through it

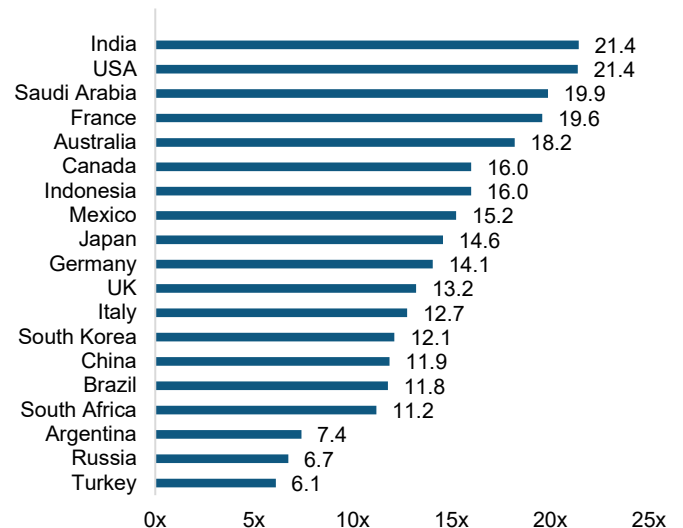
Fund holding **HDFC Bank** chief executive Sashidhar Jagdishan disclosed in early June that India's most valuable lender could see a rise in loan delinquency as business momentum and collections have slowed since the second COVID wave engulfed the country. "For the first time in as many years, we don't have visibility on what is going to happen and, hence, near-term expectations are tepid," Jagdishan said. (Source: Economic Times). That said, the market appears to be looking through the COVID outbreak, with India's Nifty 50 index up on a one-month, six-month and 12-month basis (Source: FactSet).

### South Korean exports surging, may be forced to raise rates

Semiconductor and car shipments helped drive a 45.6% increase in South Korea's May exports from a year earlier, posting the fastest growth since August 1988 and extending their expansion to seven months in a row (Source: Reuters). As with China, this leaves monetary officials with the task of avoiding overheating amid a colossal external sector stimulus. In late May, the Bank of Korea (BOK) indicated that it was prepared to increase interest rates in 2021. The BOK is forecasting headline inflation of 1.8% in 2021, but this is likely to be exceeded. This overshoot, combined with the fastest property price inflation since the early 2000s, may be enough to trigger a tightening by November (Source: Wigram Capital Advisers).

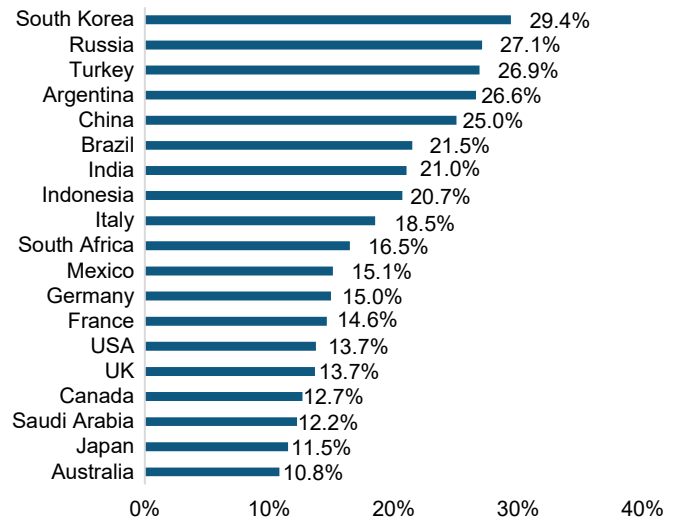
All in all, we believe Asia is well placed to benefit from a global reopening and reinvigoration of capital expenditure and trade following the trade war. Its economies are further advanced in their post-COVID recoveries and those like India, which continue to suffer, are seeing equity markets look through this. Many markets in the region are cheap and earnings growth expectations are high.

Major market price-earnings ratios - Next 12 months



Source: Chart 1 – IBES consensus, in local currency. Correct as at 4 June 2021.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 4 June 2021.