Platinum Asia Fund

ARSN 104 043 110

MONTHLY REPORT **31 December 2021**

FACTS

Portfolio value	$4.09 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 - 2.5371 Red - 2.5295
Unit prices P Class	App - 0.9034 Red - 0.9006

FEES

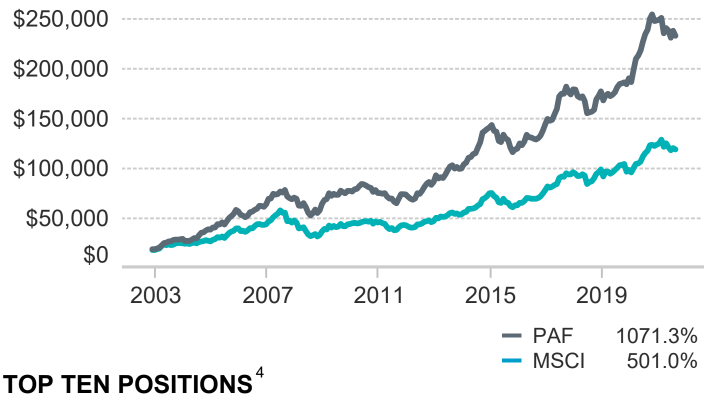
Entry fee	Nil
Buy/sell spread	0.15%/0.15%
C Class	Investment management 1.35% p.a. Investment performance N/A
P Class	Investment management 1.10% p.a. Investment performance 15.00% p.a.*

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

PERFORMANCE [1]

	C Class %	P Class %	MSCI %
1 month	(2.1)	(2.1)	(1.1)
3 months	(2.2)	(2.1)	(1.9)
6 months	(7.1)	(7.0)	(7.5)
Calendar year to date	(2.5)	(2.3)	1.1
1 year	(2.5)	(2.3)	1.1
2 years (compound pa)	12.3	11.9	7.3
3 years (compound pa)	14.0	13.9	10.9
5 years (compound pa)	12.5		11.2
7 years (compound pa)	9.1		9.1
10 years (compound pa)	13.5		11.8
Since inception (compound pa)	14.0	10.2	10.0

PERFORMANCE GRAPH [2]



INVESTED POSITIONS [3]

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	88.4	(1.1)	87.3	94.9
Australia				0.4
China	45.5		45.5	45.9
Hong Kong	6.3		6.3	12.8
Taiwan	6.2		6.2	6.2
India	10.7	(1.1)	9.6	9.7
Macao	1.0		1.0	1.0
Philippines	1.7		1.7	1.7
Singapore	0.9		0.9	0.9
South Korea	10.4		10.4	10.4
Vietnam	5.7		5.7	5.7
Europe				0.9
United Kingdom				0.8
North America				4.2
United States of America				4.2
Sub-Total	88.4	(1.1)	87.3	100.0
Cash	11.6	1.1	12.7	
Total	100.0		100.0	100.0

Long - 58 stocks, 1 swap Short - 1 swap, 2 indices

TOP TEN POSITIONS [4]

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.5
Samsung Electronics Co	South Korea	Info Technology	5.1
Vietnam Ent Investments	Vietnam	Other	4.1
Tencent Holdings Ltd	China	Comm Services	4.1
InterGlobe Aviation Ltd	India	Industrials	3.7
ZTO Express Cayman Inc	China	Industrials	3.5
SK Hynix Inc	South Korea	Info Technology	3.4
Ping An Insurance Group	China	Financials	3.4
Weichai Power Co Ltd	China	Industrials	3.3
Alibaba Group Holding Ltd	China	Cons Discretionary	2.9
		Total	39.1

INDUSTRY BREAKDOWN [3]

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	18.5		18.5
Information Technology	16.8	(1.0)	15.8
Financials	14.5		14.5
Industrials	12.9		12.9
Real Estate	10.2		10.2
Communication Services	4.1	(0.1)	4.1
Materials	3.5		3.5
Consumer Staples	2.7		2.7
Health Care	1.0		1.0
Other	4.1		4.1

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 "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 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. 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 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).

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MARKET UPDATE AND COMMENTARY

- Non-Japan Asian equity market returns lagged global markets in 2021.
- The sell-off in Chinese tech firms is a great opportunity.
- The case for Asia is strong in the current bubble environment.

At the conclusion of a strong year for global benchmarks, Asia has been a laggard, with broad indices such as the MSCI Non-Japan Asia Index basically flat and the Fund slightly negative.

Reiterating the case for China

With that backdrop, it is worth reiterating the investment case for China, which dominates our holdings in the region. Here, we see an equity market that is the polar opposite of the US market, which we view as crowded and very expensive. In 2007, the Chinese equity market was the most expensive major market in the world on a price-to earnings (PE) basis, at 27x forward earnings (Source: Credit Suisse, using the MSCI AC China Index). The Shanghai Composite Index was on the verge of falling 67.5% in a matter of months, and it remains approximately 40% lower than its 2007 peak 14 years later (Source: FactSet). The MSCI AC China Index has de-rated to 11x earnings at the time of writing in early January 2022 (Source: Credit Suisse). The time to be fearful of Chinese equities was when they were in an enthusiastic bubble – in 2007!

Renewed holdings in China's tech giants

Ongoing regulatory pressure saw China's internet giants Tencent and Alibaba sell off heavily in 2021. These were among our biggest holdings until late 2020, when we sold due to investor crowding and clear signals of the regulatory risk that was building. We have used the sell-off in late 2021 to renew sizeable positions in these still-outstanding businesses at attractive valuations. Regulatory risk is omnipresent for dominant tech businesses in every jurisdiction. The example of Facebook in recent years provides a parallel – heightened investor anxiety regarding regulation and scandal provided excellent buying opportunities. We see a bright future for China's internet giants – they will need to tow the party line and observe more rigorously enforced regulation, but we think these will be far larger and still highly profitable businesses in five years' time. Consider that during December the Chinese National Bureau of Statistics reported that Chinese online retail sales grew at 3.2% in November off a high base and at a two-year, pre-COVID compound annual rate of 10.6% (Source: CLSA). These numbers are weak by Chinese standards without question, but do note the strength of businesses whose market grows at over 10% in times of weakness.

Potential returns and safety amid the unloved stocks of Asia

The global economy is booming amid a capex surge, reopening in fits and starts and with significant fiscal support for major economies being monetised by central banks. This is the type of environment that generally sees the "emerging market" trade work well – recall that China was the most expensive equity market globally amid the global growth boom of the 2000s. There is every chance that market leadership may shift in coming years should growth conditions remain buoyant and we are confident that our portfolio of high-quality, relatively cyclical businesses would perform well in such an environment. Note also – the industrial economies of Asia, such as South Korea and China, are expected to see robust earnings growth in the year ahead, and are among the world's cheapest equity markets (see accompanying charts).

On the other hand, we are acutely focused on capital preservation in current markets – to be clear, we are of the view that equity markets are spectacularly frothy and a significant correction is likely in coming months or years. In this environment we see enormous value in holding unloved, cheap businesses in regions like Asia, which diversify investor returns. This worked well in the post-2000 world may well do so again.

In our view, now is exactly the type of environment that the diversity of returns, undemanding valuation and light ownership of Asian markets in general and China in particular are of greatest potential value.

Source: Chart 1 – IBES consensus, in local currency. Correct as at 7 January 2022.

Source: Chart 2 – IBES consensus, in local currency. Correct as at 7 January 2022.