Platinum Asia Fund

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Performance

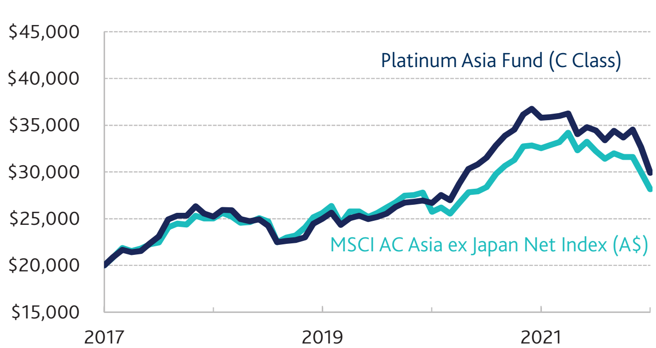
(compound p.a.+, to 31 March 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	-11%	-16%	6%	8%	13%
MSCI AC Asia ex Jp Index^	-11%	-13%	3%	7%	9%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 4 March 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 5. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2017 to 31 March 2022



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 5.

The Fund (C Class) returned -11.2% for the quarter and -16.5% for the year.[1]

The Chinese and Korean markets were particularly weak during the quarter, while Indian and South East Asian markets fared better. The sell-off in Korean shares happened alongside weakness in the Nasdaq and US growth sectors through January, as inflationary concerns rose and investors started to discount the potential impact of multiple interest rate rises. The weakness in Chinese assets was quite a separate event, particularly noticeable through the first half of March, following geopolitical questions arising out of Russia's invasion of Ukraine, and exacerbated by comments from the US Securities and Exchange Commission (SEC) relating to the ongoing delisting process of Chinese companies from US stock exchanges.

Turning to the portfolio, there was a positive contribution from **China Overseas Land & Investments** (+27%) and **China Resources Land** (+11%), two of our Chinese property developer holdings. These companies benefited from a targeted relaxation in government policies to help boost end demand, as well as loosened restrictions for better-capitalised developers. While the drama surrounding Evergrande and other more indebted developers has not completely passed, it appears there is a bifurcation whereby more conservative operators (such as those that we own) are increasingly viewed through a more favourable lens by the market and by regulators.

Some of our holdings through South East Asia also did relatively well during the quarter. **Jardine Cycle & Carriage** (+22%) saw its shares rise as investors scrambled to find companies set to benefit from Indonesia's increasingly attractive macroeconomic backdrop. Meanwhile, the Vietnamese retail group, **Mobile World Investment Corp** (+7%), also saw its share price rise late in the quarter after providing a better-than-expected operational update.

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

On the negative side of the ledger, our Chinese holdings were key detractors from performance. **Tencent** (-16%), **JD.com** (-15%), **ZTO Express** (-11%), **Alibaba** (-6%) and **Kingsoft** (-27%) were amongst the weakest performers, all selling off sharply on the geopolitical issues and/or US regulatory issues mentioned above. While many managed to recover some of their losses late in the quarter on reassuring comments from Vice-Premier Liu He (see Commentary below), they still closed lower over the period.

There were also a handful of other disparate – primarily Chinese – holdings, which saw their share prices decline during the quarter. Fears in the market around the potential for a period of weaker end demand, or broad-based geopolitical concerns, tended to be the primary culprits for these share price moves. Whitegoods, air conditioning, and robotics company, **Midea Group** (-23%), sold off partially in response to concerns around end-market demand, as well as scepticism around some of their expansion and diversification plans. Truck engine manufacturer, **Weichai Power** (-19%), saw its share price marked down in response to a cyclically softening truck market, as well as signs their hydrogen fuel cell efforts may not yield the results more optimistic investors may have been hoping for.

While none of our small Chinese health and medicine-related holdings had a significant individual impact on the portfolio's overall performance, collectively, they were weak during the quarter and detracted from results. These companies' share prices declined due to a global sell-off in the biotech sector and related concerns around funding models for some of these players, as well as lingering concerns around the regulatory environment specific to companies operating in China. Examples of holdings in this bucket included **CStone Pharmaceuticals** (-39%) and **AK Medical** (-29%).

In terms of shorts, the results were mixed. Index shorts on the Hong Kong and Chinese A-share markets were initiated during the quarter to help protect the portfolio during the sell-off and modestly cushioned the portfolio. Our shorts in the optically more expensive Indian market were less productive, however, generating modest losses.

On currencies, we maintained fairly neutral positioning compared to our underlying assets. As such, there was a headwind to Australian dollar (AUD) reported performance resulting from the AUD's strength observed through late February and March coincident with strong commodity prices.

Changes to the Portfolio

With the market volatility during the quarter, we were a little more active in the portfolio than usual. As Chinese assets were sold down in March we rotated money out of some of the better-performing assets in that market, redeploying the capital into areas experiencing more indiscriminate selling, without increasing our overall capital committed to the country.

As a broad generalisation, the well-capitalised Chinese property developers and financial companies held up better than the broader market. This led us to reduce our positions in holdings like **AIA**, **China Resources Land**, **China Overseas Land & Investments** and **China Merchants Bank**, so that we could redeploy some of that money into more prospective opportunities. During the quarter, we also exited our position in sportswear and fashion house **Li Ning**, and reduced our holdings in the industrial strain wave gear manufacturer **Leader Harmonious Drive**, on the basis that their valuations had reached levels that were no longer as attractive.

Disposition of Assets

REGION	31 MAR 2022	31 DEC 2021	31 MAR 2021
China	44%	45%	42%
South Korea	10%	10%	11%
India	10%	11%	5%
Taiwan	6%	6%	6%
Vietnam	6%	6%	3%
Hong Kong	4%	6%	8%
Philippines	2%	2%	1%
Macao	1%	1%	1%
Singapore	1%	1%	2%
Thailand	0%	0%	2%
Cash	14%	12%	19%
Shorts	-6%	-1%	-8%

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2022	31 DEC 2021	31 MAR 2021
Consumer Discretionary	18%	18%	17%
Information Technology	15%	16%	18%
Financials	13%	14%	13%
Industrials	12%	13%	12%
Real Estate	11%	10%	9%
Communication Services	4%	4%	2%
Consumer Staples	3%	3%	2%
Materials	3%	3%	3%
Health Care	1%	1%	1%
Energy	0%	0%	0%
Other	0%	4%	-5%
TOTAL NET EXPOSURE	80%	87%	73%

See note 4, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

By contrast, areas of the Chinese market, particularly those which had previously been popular with international investors, such as e-commerce and internet companies, came under intense selling pressure, as mentioned earlier. To take advantage of this, we added to our holdings in companies like **JD.com**, **Tencent** and **Trip.com**. We also continued to add to our small holding in **Longping High-Tech Agriculture** that operates in the Chinese agricultural sector, as its share price pulled back to levels we were initially buying at last year, while the evidence pointing towards the potential for that company to make large market share gains in the coming years has kept coming.

We also continued to introduce new holdings to the Fund throughout the quarter. For example, we initiated a position in a family-run paints and waterproofing business, which has a dominant and growing position in their local market in South East Asia. This is a company with strong brands and unparalleled local distribution, exhibiting great profitability and with a long runway to expand, as they take share within a growing market. The company's shares were marked down prior to our purchase, as investors worried about a lack of visibility around the shorter-term demand environment, presenting us with the opportunity to establish an initial position at what we believe was an attractive price. We also acquired a small position in Chinese grocery delivery company **Dingdong**, whose shares had fallen precipitously in the months prior to our purchase, as the company went from market darling to pariah, despite emerging positive signs around the business' economics. And in the Philippines, we established a new holding in a company that operates in a more prosaic industry, which caught our attention simply because of how cheap it appeared relative to our estimate of earnings and dividends over the next few years.

In India, we trimmed our holdings in vehicle manufacturer **Maruti Suzuki** when the share price ran up during the quarter, simply reflecting our view on the valuation. Having doubled our exposure to India from March to December last year, it is a market we continue to scour for opportunities, but valuations in recent months have made finding well-priced, interesting opportunities more challenging, and as such, we have found ourselves once again reluctantly reducing our exposure.

Commentary

The major market events discussed in recent quarterly reports are starting to feel a touch repetitive. While the details change, China has remained consistently controversial as an investment destination, and has seemingly managed to fall even more out of favour with investors as the months pass. Most recently, China's ambiguous stance with respect to Russia's invasion of Ukraine appears to be making developed countries increasingly uneasy, prompting reassessments around trade and investment relationships. This sentiment spilled over to negatively impact the stock market.

While there are experts better versed in the geopolitics driving these situations than us, our simple observation would be that China's North Star for the past three decades has been economic development and improvement in living standards for the populace. So much so, that these are sometimes viewed as the foundations upon which the government draws its legitimacy. If that remains their primary focus, as a country with deep international trade relationships and a strong export sector, then we believe the market's concerns are likely to prove exaggerated and the current fairly substantial discount that we think is priced into the country's assets should somewhat reverse.

To be clear, we are not being apologists for China's ambiguity on Ukraine, but we would point to India's similarly underwhelming response to Russia's invasion – and the fact that rather than being a lightning rod for international censure, as what happened with China, in India's case this was instead greeted with a flurry of diplomatic missions to try and woo the country over. Meanwhile, the press barely mentions it. Certainly, I would not want to draw particularly strong parallels between the position of these two countries, but the stark difference in treatment and response I believe does highlight a degree of inconsistency, which is reflecting some level of temporary emotional predisposition that Westerners, in particular, currently have towards these two countries – and those emotional leanings can similarly be observed in market prices.

While many events take place across the region in any given quarter that impact markets, there are two others pertinent to China that are worth mentioning.

Firstly, in early March, the US Securities and Exchange Commission (SEC) started listing companies in breach of the 2020 Holding Foreign Companies Accountable Act (HFCAA). Essentially, this is just the latest step in the process of delisting Chinese firms from US exchanges, if the US regulator's demands around oversight of auditing of US-listed

Chinese companies accounts are not met. This event had been well telegraphed and should not have come as a surprise to anyone. However, judging from the market's reaction, some investors clearly were caught unawares. The market's reaction was particularly negative in the subsequent days and led to a speech by China's Vice-Premier Liu He essentially saying that the Chinese government had taken note of the market's concerns and would work to operate in a manner that shows greater consideration and support for stock markets on a number of levels. This speech provided significant short-term reassurance to the market and sparked a short sharp rally, helping to reverse some of the losses. Also, it is perhaps important to clarify at this junction that a number of our US-listed Chinese company holdings are not materially affected by this, as they also have Hong Kong listings which can be used. However, we do have a small exposure (<5% of the Fund) to companies that could be more impacted. For those that could be more affected, generally they have been preparing back-up plans, and by and large, we do not expect our portfolio to be at any great risk from this issue.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	5.9%
Samsung Electronics Co	South Korea	Info Technology	5.0%
Vietnam Ent Investments	Vietnam	Other	4.5%
InterGlobe Aviation Ltd	India	Industrials	4.1%
Tencent Holdings Ltd	China	Comm Services	3.9%
Ping An Insurance Group	China	Financials	3.7%
ZTO Express Cayman Inc	China	Industrials	3.5%
SK Hynix Inc	South Korea	Info Technology	3.4%
Alibaba Group Holding	China	Cons Discretionary	3.1%
China Resources Land Ltd	China	Real Estate	3.1%

As at 31 March 2022. See note 5, page 5.
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 https://www.platinum.com.au/our-products/paf.

The final point with respect to China worth mentioning is their ongoing commitment to zero-COVID policies, which with the Omicron variant is proving increasingly difficult and costly to maintain. Lockdowns are ongoing across multiple cities. We've been through this a number of times now, but it nevertheless still causes some degree of supply chain disruption, both locally and in international supply chains.

Turning to the other countries in the region, during the quarter, it was notable that **India's** current ruling party, the Bharatiya Janata Party (BJP), won the Uttar Pradesh state elections. Many commentators saw this as a strong signal that the party has regained its popularity after rolling back some agricultural reforms, and as such, are expecting they could secure a third federal term featuring a reacceleration of reforms and privatisations in the country.

South Korea also held their presidential elections during the quarter. It was a tight race, with a right-wing candidate winning the position. From a market perspective, he is expected to pass better minority protections for investors in Korean companies, which can be particularly important around takeovers, and these are widely expected to be positive for the majority of shareholders. In terms of broader policy, there is a general perception this candidate should be relatively business friendly, but realistically, one of the more notable features of the new president's approach is his aggressive brand of politics where he is expected to take a more confrontational stance towards North Korea and China, while pursuing closer relationships with the US and Japan.

Of course, many interesting things have been happening within the companies in our portfolio over the past three months as well. However, with the region's markets experiencing such large macro-driven moves, we felt it appropriate to discuss those in more detail this time. Hopefully, next quarter we can spend more time sharing details around some of our portfolio companies, as company and industry analysis continues to be where we spend the majority of our time and effort.

Outlook

While many Asian countries appear to be facing slightly more challenging short-term economic conditions, as inflation and supply chain disruptions bite, commensurately low valuations can be found, and the long-term opportunity for the region remains enticing. As such, we continue to believe the setup for longer-term investors remains attractive, and despite (or perhaps even because of) weaker markets in recent months, are increasingly enthusiastic about the return prospects for the portfolio.

Notes

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, 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 investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. 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.
4. 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".
5. 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.

Disclaimers

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