Platinum Asia Fund

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Performance

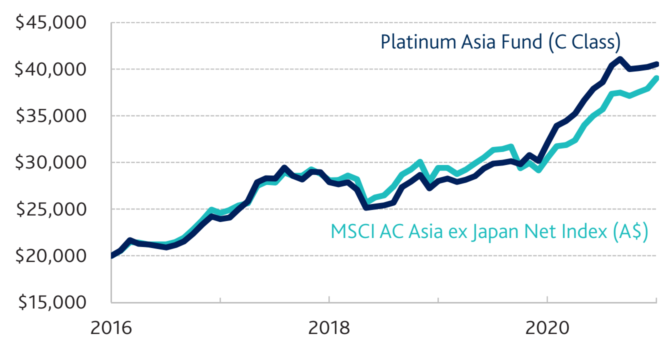
(compound p.a.+, to 30 June 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	1%	26%	13%	15%	15%
MSCI AC Asia ex Jp Index^	5%	28%	12%	14%	11%

+ 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

30 June 2016 to 30 June 2021



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 1.3% for the quarter and 26.2% for the year.[1]

Early in the quarter, weakness in markets coincided with rising inflationary concerns and a resurgence in COVID cases, particularly in India. However, as the quarter progressed, these concerns melted away. A consensus appears to have formed in the market that inflation is likely to be transitory, or at least is unlikely to elicit a policy response in the form of higher interest rates anytime soon. Meanwhile, India managed to get the disease somewhat back under control and ended up being the top contributing market to the Fund's performance over the quarter.

On the positive side of the ledger, during the quarter, we experienced strong returns from our Chinese apparel brands **Li Ning** (+88% over the quarter) and **Anta Sports Products** (+44%). This reflects both a growing preference among young Chinese consumers for domestic brands over foreign brands (as we discuss in our feature article *"China's Societal Change: Centralised Command and Capitalist Entrepreneurs"*), as well as continued solid execution against business plans by the management teams of both firms.

Shares in Indian property developer **Macrotech Developers** (+40%), which was only added to the portfolio at the beginning of the quarter, also performed well following its initial public offering (IPO).

One of our smaller Chinese holdings, which is active in the biopharmaceutical space, **CStone Pharmaceuticals** (+85%), saw its share price race up following positive news for their cancer therapies as well as updates on commercial partnerships.

On the negative side, the Macau companies **Melco Resorts & Entertainment** (-17%) and **Galaxy Entertainment** (-11%) both suffered from the ongoing COVID situation, with local outbreaks in Guangdong and Hong Kong being particularly disruptive to their clientele. There was also some weakness in Chinese property developers **China Vanke** (-20%) and **China Resources Land** (-16%), as the market's fears were stoked by financial challenges seen at industry peer Evergrande. We

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.

would hasten to point out that the developers we own are in a vastly better financial position than Evergrande, so we expect them to come out the other side of the current environment in a stronger competitive position than before.

The Fund had minimal short positions in place during the quarter and they proved to be a very minor drag on performance.

The Australian dollar weakened modestly, resulting in a slight benefit to reported results.

Changes to the Portfolio

During the quarter, we introduced a handful of new positions to the portfolio. We participated in the IPO of **Macrotech** (as mentioned above) and added to the position post the IPO. This was a tremendous opportunity to buy into one of the premier developers in the region, at a very attractive price. The Indian property market has been languishing the past few years, after reckless lending led to a boom and subsequent bust. The better-managed and more conservative developers, like Macrotech, which survived the bust, we believe are now well placed to capitalise on the mistakes of their peers, securing land rights at minimal costs and taking the opportunity to generate incredibly high returns on these projects. With the wreckage of the prior bust now firmly in the rear-view mirror, the sector has begun consolidating, household debt levels are low, the population is increasing and incomes are rising, laying a strong foundation for the Indian property market, where prices have stabilised and started to increase. We were able to secure our stake in this founder-owned and managed business at a low-teen earnings multiple, well below where listed peers were trading. While the stock has already performed well, we feel this story is just getting started.

We also initiated a position in **TAL Education**, a Chinese tutoring services company. This is a business we have kept an eye on for years and took the opportunity during the quarter to buy an initial position after the stock more than halved in the face of regulatory concerns relating to the duration and cost of tutoring. The government has turned its focus to the after-school tutoring sector, as they try to identify ways to reduce the costs and associated stress of raising children in China. The final form of regulation remains uncertain, leaving many market participants unwilling to invest in the sector until there is more clarity around the issue. We believe TAL is one of the highest-quality operators in the sector, providing genuinely good service. Our sense is that the government does not intend to eliminate quality providers and that education remains a foundational value of the country. Given the wide range of potential outcomes, however, we have to date, only taken a small position in the company. While time will tell which way the regulatory winds blow, our suspicion is this will prove to have been an opportune chance to acquire a stake in a quality business at a very reasonable price.

Disposition of Assets

REGION	30 JUN 2021	31 MAR 2021	30 JUN 2020
China	43%	42%	53%
South Korea	10%	11%	12%
India	7%	5%	8%
Hong Kong	7%	8%	9%
Taiwan	5%	6%	8%
Vietnam	4%	3%	2%
Philippines	1%	1%	0%
Singapore	1%	2%	0%
Thailand	1%	2%	2%
Macao	1%	1%	1%
Cash	18%	19%	5%
Shorts	-9%	-8%	-16%

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

Net Sector Exposures

SECTOR	30 JUN 2021	31 MAR 2021	30 JUN 2020
Consumer Discretionary	19%	17%	30%
Information Technology	17%	18%	21%
Financials	13%	13%	9%
Industrials	12%	12%	3%
Real Estate	9%	9%	4%
Materials	3%	3%	4%
Consumer Staples	2%	2%	6%
Communication Services	2%	2%	11%
Health Care	1%	1%	2%
Energy	0%	0%	4%
Other	-6%	-5%	-14%
TOTAL NET EXPOSURE	72%	73%	79%

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

Other smaller new positions include: a leading company in the Chinese power semiconductor market that's growing rapidly and taking market share from international competitors; a steel producer on a low single-digit price-to-earnings (P/E) multiple; and a very profitable Vietnamese retailer that has practically no debt, dominates their niche, delivers good growth and trades on a low-teen P/E multiple.

Within our Chinese property developers, we switched our holding in China Jinmao for **China Overseas Land & Investment**, as we have some concerns around Jinmao's ability to continue sourcing land parcels through their historic channels.

We also adjusted our positioning in the Indian banking sector, reducing our exposure to **HDFC Bank** while re-introducing **ICICI Bank** to the portfolio. HDFC has long traded at a premium to peers, but we feel the difference in execution between HDFC and ICICI has narrowed materially, justifying a modest re-allocation of our capital.

There are a couple of positions where the investment thesis has not been playing out as originally hoped, for example **Largan Precision** (Taiwan, camera lens provider) and **CP All** (Thailand, food and staples retailer), hence these positions have been trimmed.

Finally, we reduced our exposure to companies that had experienced dramatic rises in their share price. While in most cases their competitive positioning remains strong, this is increasingly reflected in the share price, hence necessitating a reduced allocation. In this category, we reduced our holdings in **Country Garden Services**, **Huazhu Group**, **Anta Sports Products** and **LG Chem**.

Commentary

Having had time to get properly acquainted with the portfolio, we thought there could be some value laying out our overarching thoughts on where we stand.

As a starting point, Asia presents an incredibly prospective opportunity set for investors. Across the region, we see vibrant societies, populated by remarkably well-educated citizens. These groups are filled with entrepreneurial zeal, making rapid progress toward healthier and wealthier lives. The path they are travelling along will present a broad opportunity set for businesses and investors. These populations are looking to improve their living conditions with better housing, cars, appliances, financial services, communications, holidays and entertainment. We will see growth and changes in the food industry, health service and exercise markets. There will be a continued modernisation of the retail sector, building-out of manufacturing facilities and office space, a shift toward service industries and increases in mechanisation, automation and digitisation. All these changes and many more will require energy, resources and infrastructure, and will have to be done in a manner such that the environment is preserved for the people to enjoy. The changes are happening at a rapid pace, presenting huge opportunities for ambitious entrepreneurs across the region.

Looking at the portfolio as it stands, we have a diversified mix of businesses, catering to domestic and export markets, serving consumers and corporates, touching on a broad swath of industries and ranging from discretionary items to basic necessities.

The largest holdings in the Fund, **Samsung Electronics** and **Taiwan Semiconductor Manufacturing (TSMC)**, along with **SK Hynix**, are world-class technology champions, with substantial competitive moats, long growth runways, healthy balance sheets and trading at quite reasonable valuations. These companies have featured across Platinum's portfolios for many years, and for good reason, they are great businesses. Collectively, these three positions account for 13% of the Fund, while a handful of other technology and internet businesses account for a further 10%.

Companies helping to upgrade people's day-to-day lives across the region, like property developers (8% holding in the Fund), white goods companies (2%) and autos (2%), also feature in the Fund, and are represented across China, India and the Philippines. These companies are often viewed by the market as being less exciting and somewhat cyclical, so are often available at relatively lower valuations, despite clear structural growth drivers, and in many cases, attractive industry dynamics. Related, but somewhat more popular with the market, are apparel and retail companies (6%), where popular brands and concepts can take off like wildfire, requiring relatively little capital to grow and generate substantial profits once a successful formula has been identified. Leisure and travel (8%) is the other major consumer-facing sector in the Fund. These businesses typically have a strong structural growth story, but have suffered temporary setbacks due to COVID.

Financials (13%) is another meaningful component of Fund, with the bulk of the holdings in this sector concentrated in China and Hong Kong. The growth and maturation of the financial services sector is a key, but often overlooked aspect of a country's development. When functioning well, the finance sector should facilitate a more appropriate sharing of risk via insurance markets, as well as helping to improve productivity through efficient capital allocation arising out of well-developed financial markets.

The remainder of the invested portion of the portfolio is a mix of healthcare, services, industrial businesses and other idiosyncratic opportunities.

Overall, we are comfortable with the current holdings in our portfolio. As always, however, there is a natural need to keep replenishing and replacing the ideas in the portfolio as individual investment cases play out. Over time, you may notice a shift toward longer duration investments in the portfolio and we would expect portfolio turnover to decrease from the elevated levels seen over the past year or two. Sector and geographic weights will be largely dictated by the opportunity set presented to us.

Outlook

Liquidity conditions appear to have tightened modestly across the region, which if managed carefully, may cool emerging inflationary pressures, setting us up for a period of sustainable expansion.

It is worth noting, however, such macroeconomic prognostications are not fundamental to our process. Rather, we start by identifying mispriced businesses, those which are overlooked or underappreciated, and assemble these opportunities into a portfolio. Given the dynamism of the region, ongoing reforms and development which underpins growth, as well as the depth and breadth of the opportunity set available to us, we feel confident we can continue to find plenty of attractive opportunities to ensure the portfolio is set up for long-term success.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	South Korea	Info Technology	5.0%
Taiwan Semiconductor	Taiwan	Info Technology	4.9%
AIA Group Ltd	Hong Kong	Financials	3.4%
ZTO Express Cayman Inc	China	Industrials	3.3%
Vietnam Ent Investments	Vietnam	Other	3.2%
Weichai Power Co Ltd	China	Industrials	2.9%
SK Hynix Inc	South Korea	Info Technology	2.8%
Ping An Insurance Group	China	Financials	2.6%
Alibaba Group Holding	China	Cons Discretionary	2.5%
InterGlobe Aviation Ltd	India	Industrials	2.3%

As at 30 June 2021. 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.

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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