



Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

30 November 2020

Facts

Portfolio value	\$179.44 mn
Fund commenced	12 September 2017
Fund launch	14 September 2017
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Net Asset Value (\$ per unit)	\$5.5445

Fees

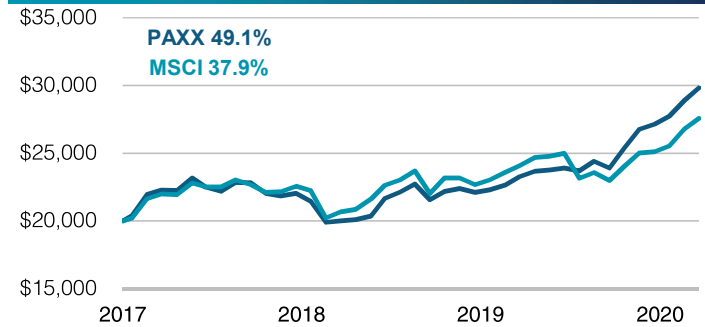
Entry fee	Nil
Buy/sell spread	0.20%/0.20%
(Platinum Asia Fund)	
Fee:	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.

Performance ¹

	Fund %	MSCI %
1 month	3.21	2.96
3 months	9.91	9.79
6 months	24.75	19.97
Calendar year to date	25.98	11.68
1 year	28.20	14.61
2 years (compound pa)	22.11	15.49
3 years (compound pa)	10.23	7.82
Since inception (compound pa)	13.23	10.50

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

Performance graph ²



Invested positions of Platinum Asia Fund ³

	Long %	Net %	Currency %
Asia-Pacific	91.7	91.7	101.2
Macao	0.5	0.5	0.5
China	45.9	45.9	46.2
Hong Kong	7.4	7.4	9.1
Taiwan	6.9	6.9	6.9
India	9.3	9.3	9.3
Korea	12.1	12.1	12.1
Philippines	1.6	1.6	1.6
Singapore	3.8	3.8	1.3
Thailand	1.7	1.7	1.7
Vietnam	2.6	2.6	2.6
Australian Dollar			1.2
China Renminbi Off Shore			8.7
North America			(1.3)
United States Dollar			(1.3)
Europe			0.1
UK Pound Sterling			0.1
Sub-Total	91.7	91.7	100.0
Cash	8.3	8.3	
Total	100.0	100.0	100.0

Long - 48 stocks, 1 index

Top ten positions of Platinum Asia Fund ⁴

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	6.0
Taiwan Semiconductor	Taiwan	Info Technology	5.9
AIA Group Ltd	Hong Kong	Financials	4.3
Ping An Insurance	China	Financials	3.6
Tencent Holdings	China	Comm Services	3.3
HDFC Bank	India	Financials	3.1
LG Chem Ltd	Korea	Materials	3.1
SK Hynix Inc	Korea	Info Technology	3.0
MSCI Singapore Index	Singapore	Other	2.9
Ping An Bank Co Ltd	China	Financials	2.8
Total			38.0

Industry breakdown of Platinum Asia Fund ³

Sector	Long %	Net %
Info Technology	20.3	20.3
Consumer Discretionary	19.8	19.8
Financials	17.4	17.4
Communication Services	7.3	7.3
Other	5.5	5.5
Industrials	5.5	5.5
Real Estate	5.4	5.4
Energy	3.9	3.9
Materials	3.1	3.1
Consumer Staples	2.6	2.6
Health Care	1.0	1.0

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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), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees (including any accrued performance fee) and costs and assume the reinvestment of distributions. The returns are calculated relative to the MSCI All Country Asia ex-Japan Net Index in A\$. The investment returns depicted in the graph are cumulative on A\$20,000 invested in the Fund since inception. 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 PAF's top ten long securities positions as a percentage of the market value of PAF's portfolio (including long securities and long securities derivative positions).

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This commentary relates to the underlying fund, the Platinum Asia Fund

- November saw strong Chinese economic data.
- China announced a pro-competitive policy stance at the expense of incumbent tech firms.
- We have sold down Tencent and Alibaba and have moved toward more economically sensitive and value exposures.

November saw another month of positive market moves in non-Japan Asia and the Fund, continuing the pleasing performance of recent times. Unlike in recent months, tech names in the region did not lead the market higher, instead cyclical assets performed well in November. For the Fund, the top three contributors were all Korean, with Samsung and SK Hynix (both semiconductor makers), plus LG Chem (a petrochemical firm with a growth option in electric vehicle batteries) typifying the strength in industrial stocks regionally and globally in November. Among the larger detractors over the month were Tencent and Alibaba, both of which we trimmed.

Trimming Chinese tech

We have sold down some of our largest holdings, particularly in tech – including Tencent and Alibaba. The background condition is that we have been oriented to best-in-class growth businesses in Asia for some time. We have been aware that this orientation would need to change to capture any genuine reflation rally as the global economy returns to life. We have written about this repeatedly in past monthly reports. The time to make this shift has arrived, we believe, with commodity prices, currencies and equity markets all signalling a shift toward value and economically leveraged assets.

The proximal trigger came on 10 November when China’s State Administration for Market Regulation released draft antitrust rules. This was especially notable as it followed a revision to anti-monopoly laws earlier this year that specified the monitoring of the impacts of internet companies on outcomes in markets in which they operate. Behaviour targeted by the draft regulation includes: predatory pricing practices; forced exclusivity to gain access to platforms; forced bundling of transactions; and price discrimination using data on individuals (Source: Government releases). Challengers like ele.me in food and JD.com in goods e-commerce may be advantaged at the cost of incumbents; but more broadly, many as-yet unknown challengers could erode industry economics. We have no way of knowing whether these measures will be enforced, but we are inclined to take them seriously.

More strong data and confirming price movements

We think the evidence is plain that China is once again growing. Official Chinese data is often questioned, so it pays to look for confirming commodity price moves. We present a selection of recent data points below.

Reuters reported that China’s National Bureau of Statistics manufacturing Purchasing Managers’ Index (PMI) rose to 52.1 in November from 51.4 in October. It was the highest PMI reading since September 2017. The official non-manufacturing Purchasing Managers’ Index (PMI) rose to 56.4, the fastest since June 2012 and up from 56.2 in October.

Chinese industrial production climbed 6.9% in October 2020 versus October 2019 (Source: BMO).

Preliminary data indicate that between 1 November 2020 and 22 November 2020, wholesale passenger vehicle sales grew 11.6% year-on-year (YoY) and 28.8% month-on-month (MoM) on a like-for-like basis (Source: Morgan Stanley).

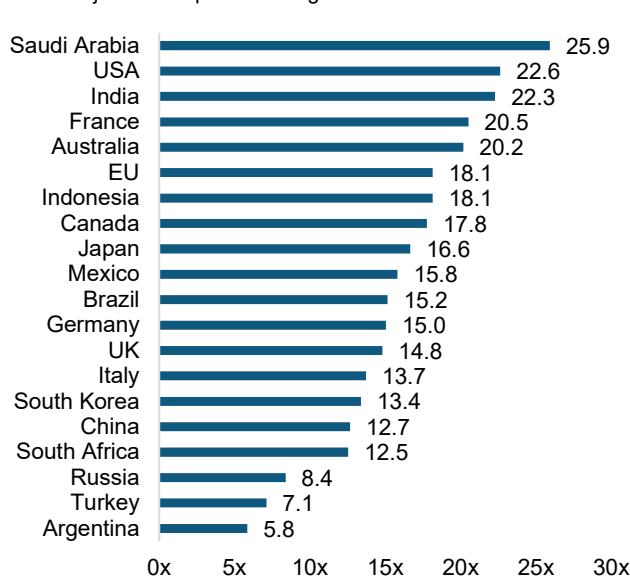
China’s National Bureau of Statistics said that profits for Chinese industrial companies grew 28.2% in October 2020 versus October 2019. That’s the largest monthly increase in the data series, which only goes back to 2014, and follows a 10.1% rise in September versus the prior September (Source: Scotia).

Domestic Chinese metallurgical coal prices are at four-year highs (Source: Bloomberg), even as Chinese officials are restricting Australian coal imports and Mongolian imports are waning due to Covid-19. Global steel prices are surging – for instance US hot rolled coil prices are at their highest levels since 2018 and Japanese steel prices rose in November for the first time in 29 months (Source: Bloomberg). Shanghai Futures Exchange copper inventories are at their lowest levels since 2014 and LME copper prices are at eight-year highs (Source: Bloomberg).

Pivoting to more cyclical exposures

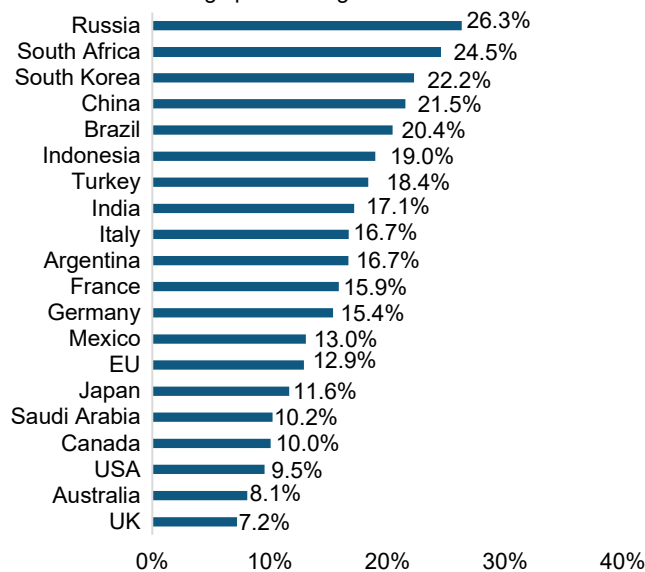
Given the resurgent Chinese economy and signs that the global industrial economy is recovering, we have shifted exposure away from tech and have bought some exposure to banks and other cyclicals in the region. Of note, we have initiated a long position in Singapore futures, providing a liquid exposure to regional banks and developers.

Major market price-earnings ratios - Next 12 months



Source: Chart 1 – IBES consensus, in local currency. Correct as at 4 December 2020.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 4 December 2020.

Chart 1 and 2 shows valuations based on sell-side consensus estimates. It is worth noting at this stage, that in our view these earnings forecasts may come down substantially to reflect the impact of the coronavirus-related slowdown on the global economy.