



Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

31 December 2020

Facts

Portfolio value	\$182.98 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)	\$5.6519

Fees

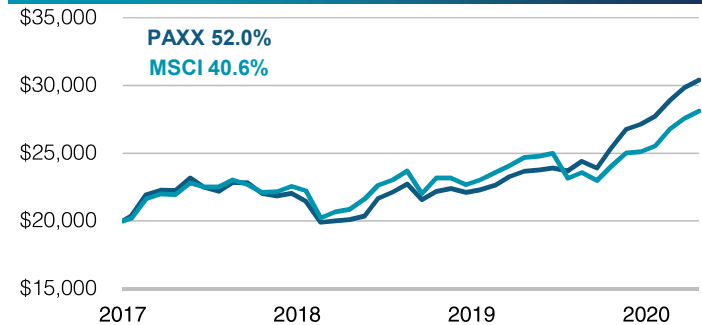
Entry fee	Nil
Buy/sell spread (Platinum Asia Fund)	0.20%/0.20%
Fee:	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.

Performance ¹

	Fund %	MSCI %
1 month	1.94	1.98
3 months	9.64	10.16
6 months	19.82	17.10
Calendar year to date	28.42	13.89
1 year	28.42	13.89
2 years (compound pa)	23.00	16.10
3 years (compound pa)	10.98	8.64
Since inception (compound pa)	13.53	10.87

*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	88.0	88.0	99.7
Macao	0.9	0.9	0.9
China	45.1	45.1	45.2
Hong Kong	7.2	7.2	7.8
Taiwan	6.9	6.9	6.9
India	8.4	8.4	9.1
Korea	13.0	13.0	13.0
Philippines	1.5	1.5	1.6
Singapore	0.9	0.9	1.3
Thailand	1.5	1.5	1.5
Vietnam	2.6	2.6	2.6
Australian Dollar			1.6
China Renminbi Off Shore			8.2
North America			0.2
United States Dollar			0.2
Europe			0.1
UK Pound Sterling			0.1
Sub-Total	88.0	88.0	100.0
Cash	12.0	12.0	
Total	100.0	100.0	100.0

Long - 48 stocks

Top ten positions of Platinum Asia Fund ⁴

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	6.7
Taiwan Semiconductor	Taiwan	Info Technology	6.0
AIA Group Ltd	Hong Kong	Financials	4.0
Tencent Holdings	China	Comm Services	3.7
SK Hynix Inc	Korea	Info Technology	3.4
Ping An Insurance	China	Financials	3.0
Kingsoft Corp Ltd	China	Info Technology	3.0
LG Chem Ltd	Korea	Materials	2.9
HDFC Bank	India	Financials	2.8
Midea Group	China	Cons Discretionary	2.6
Total			38.0

Industry breakdown of Platinum Asia Fund ³

Sector	Long %	Net %
Info Technology	21.7	21.7
Consumer Discretionary	20.6	20.6
Financials	15.4	15.4
Communication Services	7.2	7.2
Industrials	5.9	5.9
Real Estate	5.0	5.0
Materials	2.9	2.9
Energy	2.9	2.9
Other	2.5	2.5
Consumer Staples	2.5	2.5
Health Care	1.4	1.4

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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

- Strong performance of Asian markets continues.
- Chinese economy appears robust.
- Government policy and improving credit conditions create opportunities in India.

December once again saw pleasing performance for the Fund and non-Japan Asian markets in general, capping off a good year, despite the challenges of ongoing trade tension and COVID-19. We exit 2020 amid clear evidence of a global recovery, not least in China.

Strong Chinese economic data

The final day of 2020 saw the release of official Purchasing Managers' Index (PMI) figures for China, with a manufacturing PMI of 51.9 indicating an economy in solid expansion. China's PMI has recorded readings above 50 since the significant decline in the PMI in March 2020 due to the impact of COVID-19. Moreover, there has been some mild reacceleration since May 2020 (Source: FactSet). November excavator sales in China were up 68% versus a year ago, and the 11 months to November saw excavator sales up 37% versus 2019 in China (Source: Citi). Demand for construction machinery tends to lead construction activity and we see this as a sign of strong demand conditions for steel and construction materials over the next six to nine months.

Amid this industrial recovery, we added **Weichai Power** to the Fund's holdings in recent weeks. Weichai is a leading heavy-duty truck (HDT) engine maker in China. China's HDT recovery is helped by China's upgrade of emission standards and saw 35% p.a. unit growth in the first eleven months of 2020 versus the prior period in 2019 (Source: Morgan Stanley).

We have added holdings in two higher quality Chinese banks, **Ping An Bank** and **China Merchants Bank**, as we pivot the portfolio toward more value and economically leveraged exposures.

Indian government support for local manufacturing

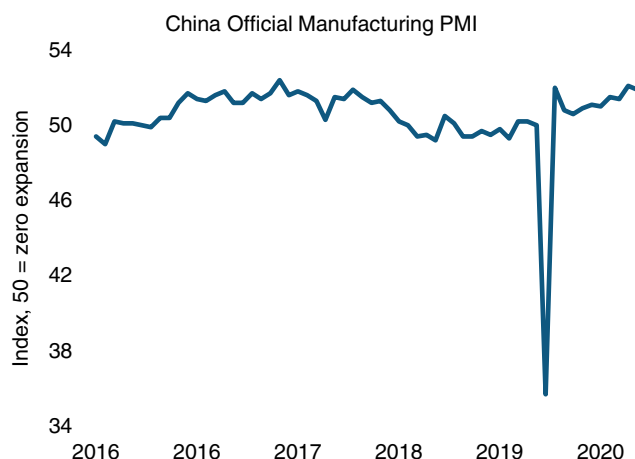
In India, the Modi government introduced further initiatives to promote investment in local manufacturing under its "Make in India" agenda. Prior "Production Linked Incentives" (PLI) were expanded from mobile phone assembly, medical devices and bulk drugs to include a further 10 sectors - automobiles, electric vehicle (EV) batteries, complex pharmaceuticals, telecom equipment, textiles, food products, speciality steel, white goods, electronic products and solar photovoltaic (PV) modules. We are yet to see large capex commitments to take advantage of the support for medical devices or bulk drugs. If the full US\$20 billion PLI package was taken up over five years this would equate to 6% of current Indian gross domestic product (GDP). Manufacturing only represents 15% of India's GDP, employing 12% of the country's labour force, so this would be a meaningful increase. India's economy is dominated by services (50%) and, while the agriculture sector employs 42% of the labour force, it only contributed 16% of India's GDP in 2019. Such policies support the Fund's investment in leading manufacturing businesses such as **Maruti Suzuki India**, which is progressively scaling up exports from new production facilities in Gujarat (Source: Citi, government releases).

Credit cycle in India better than feared

Another prevailing theme across the Indian market has been the recovery of the banking sector, which has outperformed the Nifty 50 Index by 19% over the last three months. Despite ballooning COVID-19 cases, one of the most severe lockdowns globally, unprecedented economic contraction (-23.9% in 2Q & -7.5% in 3Q) and a Reserve Bank of India (RBI)-mandated moratorium on loan repayments (which saw as much as 40% outstanding loans in the system in deferral at peak in mid-August), the early signs appear encouraging after the second moratorium was lifted. Banks raised >US\$10 billion in fresh equity to improve capital adequacy in a timely manner and the RBI's Emergency Credit Line Guarantee Scheme (ECLGS) has provided support to the fragile micro, small and medium enterprise (MSME) sector. Following the lifting of the moratorium, collection efficiency has improved to as high as 97% for HDFC Bank, as high as 95% for the more cyclical commercial vehicle market and has remained largely stable for the last three months. Given the moratorium and the RBI's allowance of one-time restructuring of loans under COVID-induced stress by March 2021, data is yet to reflect stress in terms of an increase in gross non-performing assets. What in hindsight appears a conservative stress test, in its mid-year Financial Stability Report the RBI estimated system gross non-performing assets could increase from 8.5% in March 2020 to 12.5-14.7% by March 2021. Rating agency estimates of loans to be restructured at 5-8% appear conservative compared to initial commentary from individual lenders at 3-5%. For the larger private lenders, such as **HDFC Bank**, consensus is moving lower towards 2% of assets to be restructured. HDFC is a significant holding in the Fund (Source: Morgan Stanley, government releases, World Bank).

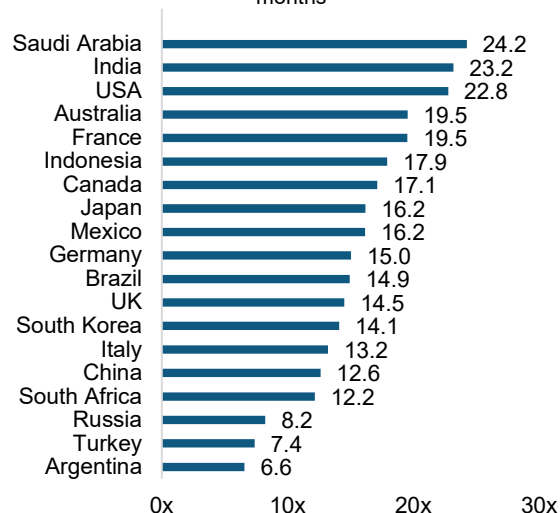
Joseph Lai, PM for the Asia Fund left Platinum at the end of December. Andrew Clifford, the previous PM for the Asia Fund is currently managing the Fund whilst an internal replacement/s is being confirmed.

The quarterly report will be available on 21 January 2021.



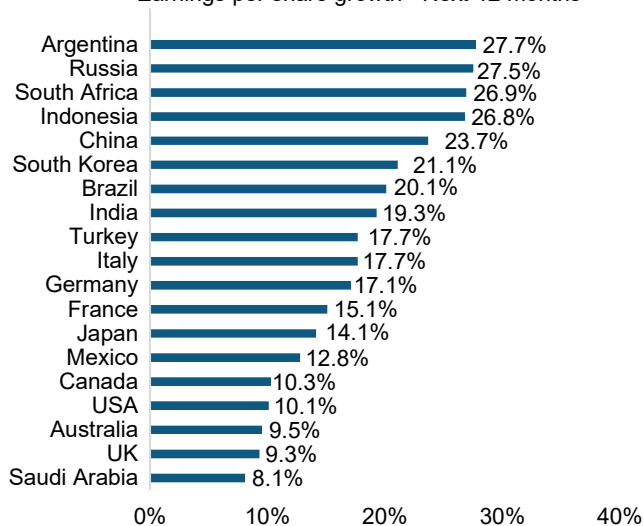
Source: Chart 1 – National Bureau of Statistics of China Correct as last reporting date 31 December 2020

Major market price-earnings ratios - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 5 January 2021.

Earnings per share growth - Next 12 months



Source: Chart 3 – IBES consensus, in local currency. Correct as at 5 January 2021.