

# Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX



MONTHLY REPORT 31 March 2021

## FACTS

Portfolio value	\$181.83 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)	\$5.8622

## PERFORMANCE<sup>1</sup>

	Fund %	MSCI %
1 month	(2.4)	(0.9)
3 months	3.7	4.0
6 months	13.7	14.6
Calendar year to date	3.7	4.0
1 year	33.1	26.4
2 years (compound pa)	19.4	12.7
3 years (compound pa)	12.4	9.1
Since inception (compound pa)	13.7	11.3

## INVESTED POSITIONS OF PLATINUM ASIA FUND<sup>3</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	80.6	(7.9)	72.7	86.1
Australia				0.2
China	42.5		42.5	42.7
Hong Kong	7.7		7.7	15.2
Taiwan	6.1		6.1	6.1
India	5.3	(2.6)	2.8	2.8
Japan		(0.3)	(0.3)	0.1
Macao	1.0		1.0	1.0
Philippines	1.2		1.2	1.2
Singapore	1.5		1.5	1.5
South Korea	10.9	(5.0)	5.8	11.0
Thailand	1.6		1.6	1.6
Vietnam	2.7		2.7	2.7
<b>Europe</b>				0.3
United Kingdom				0.3
<b>North America</b>				13.6
United States of America				13.6
<b>Sub-Total</b>	80.6	(7.9)	72.7	100.0
<b>Cash</b>	19.4	7.9	27.3	
<b>Total</b>	100.0		100.0	100.0

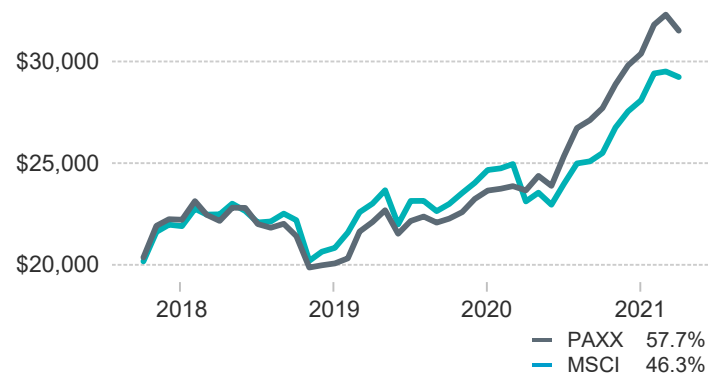
Long - 50 stocks Short - 1 swap, 2 indices

## FEES

Entry fee	Nil
Buy/sell spread	0.20%/0.20%
(Platinum Asia Fund)	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 GRAPH<sup>2</sup>



## TOP TEN POSITIONS OF PLATINUM ASIA FUND<sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co	South Korea	Info Technology	5.2
Taiwan Semiconductor	Taiwan	Info Technology	5.0
AIA Group Ltd	Hong Kong	Financials	3.6
Ping An Insurance Group	China	Financials	3.2
SK Hynix Inc	South Korea	Info Technology	3.1
Weichai Power Co Ltd	China	Industrials	3.0
China Resources Land Ltd	China	Real Estate	2.7
Vietnam Ent Investments	Vietnam	Other	2.7
Huazhu Group Ltd	China	Cons Discretionary	2.6
Kingsoft Corp Ltd	China	Info Technology	2.6
<b>Total</b>			33.7

## INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND<sup>3</sup>

SECTOR	LONG %	SHORT %	NET %
Information Technology	17.9		17.9
Consumer Discretionary	16.8		16.8
Financials	12.9		12.9
Industrials	12.1		12.1
Real Estate	9.3		9.3
Materials	3.5	(0.3)	3.2
Consumer Staples	2.4		2.4
Communication Services	1.9		1.9
Health Care	1.2		1.2
Other	2.7	(7.6)	(4.9)

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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 Platinum Asia Fund's ("PAF's") portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of PAF'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 PAF'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). All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>

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### MARKET UPDATE AND COMMENTARY

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

- China seeing very strong export growth and officials trying to talk down any exuberance.
- We added to Chinese property developers amid industry reform.
- We have trimmed semiconductors and Indian exposure.

The month of March saw Non-Japan Asia equity markets and the Fund decline slightly, amid US dollar strength and a pause in the ascent of commodity prices such as crude oil and copper.

#### China growing but officials talking down the economy

Chinese monetary officials continue to send sobering signals to the market. Guo Shuqing, chairman of the China Banking and Insurance Regulatory Commission, warned in February of speculative excess in US and European markets, and spoke of “[reducing] the high leverage within the financial system” (Source: Ollari Consulting). Given the strong rebound in global demand, and hence for Chinese exports, this is not surprising. During March data was released for February’s Chinese exports. These were up 60.6% versus a year ago, which is clearly affected by the baseline comparison and seasonality: still, the figure was nearly double consensus expectations (Source: Bloomberg, Ollari Consulting).

China’s economy continues to expand, as indicated by Purchasing Managers’ Index (PMI) data for March. The official manufacturing PMI came in at 51.9 and non-manufacturing was 56.3 (Source: Bloomberg). China’s official PMI surveys larger firms and skews more toward the state-owned sector. The Caixin China General Manufacturing PMI, which surveys smaller and more privately-owned firms, indicated a slower expansion with a reading of 50.6, while the non-manufacturing figure was robust at 54.3 (Source: Caixin Global). Readings above 50 in PMIs indicate expansion.

Our interpretation of Chinese economic data is that the economy is slowing from its rapid ascent in its reopening phase and that officials are attempting to curb enthusiasm about the immediate future, particularly in the presence of rapidly accelerating external demand as the US and European economies reopen.

#### Adding to property developers

We reduced exposure during March, we added to Chinese property developers namely **China Vanke** and **China Resources Land**, which join fellow developer **China Overseas Land & Investment** in the Fund. Investor sentiment toward the sector is negative, with the market appearing to believe that increased regulatory scrutiny on debt levels and home price limitations will hamper the profitability of developers for years to come. We see significant potential for consolidation, with higher quality operators with stronger balance sheets poised to benefit in our view.

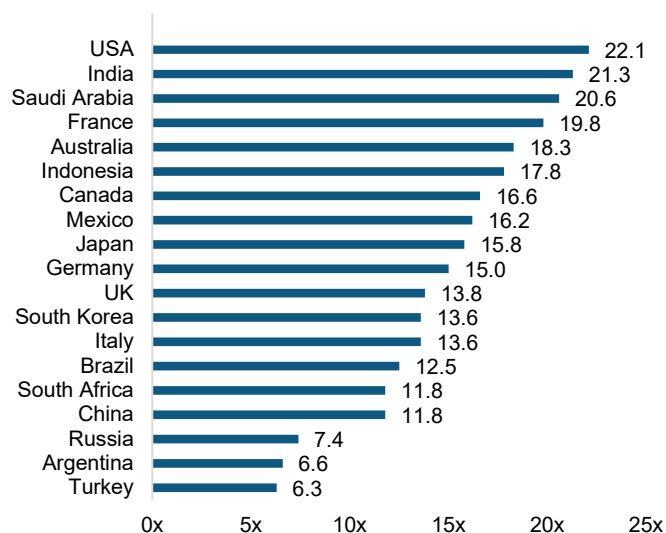
During March it was announced that 22 cities in China would adopt a new policy to conduct land auctions for property development in three short windows each year (Source: South China Morning Post). This will require more capital in short periods of time for property developers and may lower land prices – both would be beneficial to the larger property developers, we believe. Moreover, our work indicates the property developers are trading at close to record low valuations – on low single digit price-to-earnings ratios in many cases. This is an attractive starting point.

#### Trimming semis and India

We have continued to trim our holdings at the margin in semiconductor names **Samsung Electronics**, **SK Hynix** and **Taiwan Semiconductor Manufacturing** into strength, with this theme playing out in excess of our expectations. Signs of a global chip shortage include recent news from Nissan that it will idle production at three North American plants in response to the global chip shortage for vehicle production (Source: Nissan).

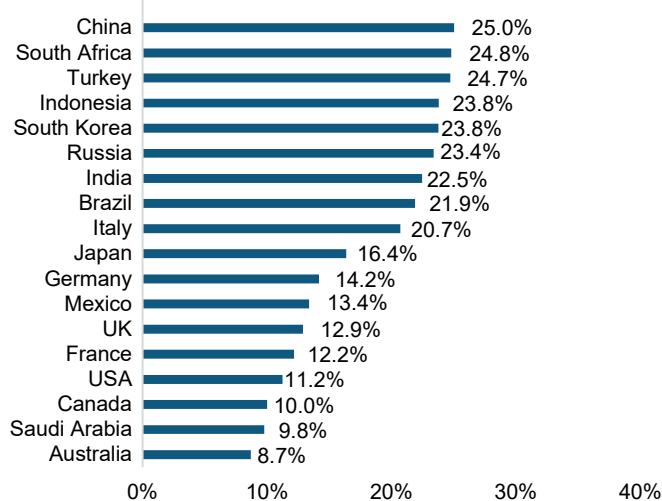
Daily COVID-19 cases were running at over 90,000 in early April 2021, near the peaks recorded in India in September 2020 (Source: Google data). We see potential for meaningful economic interruption and have trimmed exposure to India as a result. We exited **Reliance Holdings** in recent weeks.

Major market price-earnings ratios - Next 12 months



Source: Chart 1 – IBES consensus, in local currency. Correct as at 8 April 2021.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 8 April 2021.