

Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX



MONTHLY REPORT 31 August 2021

FACTS

Portfolio value	\$147.94 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)	\$4.8540

PERFORMANCE¹

	Fund %	MSCI %
1 month	2.2	2.9
3 months	(3.3)	0.1
6 months	(5.0)	1.2
Calendar year to date	0.9	6.3
1 year	13.1	19.0
2 years (compound pa)	17.8	14.8
3 years (compound pa)	11.7	9.9
Since inception (compound pa)	11.4	10.7

INVESTED POSITIONS OF PLATINUM ASIA FUND³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	84.7	(0.1)	84.6	95.8
Australia				1.5
China	44.3		44.3	45.0
Hong Kong	7.2		7.2	15.8
Taiwan	5.7		5.7	5.7
India	9.8		9.8	9.8
Japan		(0.1)	(0.1)	0.2
Macao	0.7		0.7	0.7
Philippines	1.5		1.5	1.5
Singapore	1.4		1.4	1.4
South Korea	9.3		9.3	9.3
Vietnam	4.7		4.7	4.7
Europe				0.8
United Kingdom				0.8
North America				3.5
United States of America				3.5
Sub-Total	84.7	(0.1)	84.6	100.0
Cash	15.3	0.1	15.4	
Total	100.0		100.0	100.0

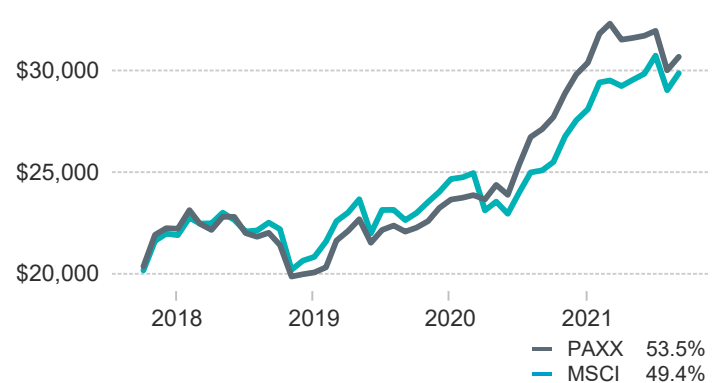
Long - 59 stocks, 1 swap Short - 1 swap

FEES

Entry fee	Nil
Buy/sell spread	0.15%/0.15%
(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 GRAPH²



TOP TEN POSITIONS OF PLATINUM ASIA FUND⁴

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.1
Samsung Electronics Co	South Korea	Info Technology	4.6
Weichai Power Co Ltd	China	Industrials	3.7
Tencent Holdings Ltd	China	Comm Services	3.6
Alibaba Group Holding Ltd	China	Cons Discretionary	3.5
Vietnam Ent Investments	Vietnam	Other	3.5
AIA Group Ltd	Hong Kong	Financials	3.4
ZTO Express Cayman Inc	China	Industrials	3.3
InterGlobe Aviation Ltd	India	Industrials	3.1
SK Hynix Inc	South Korea	Info Technology	2.5
Total			36.4

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND³

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	19.2		19.2
Information Technology	14.3		14.3
Industrials	13.8		13.8
Financials	13.7		13.7
Real Estate	9.1		9.1
Materials	4.1	(0.1)	4.0
Communication Services	3.6		3.6
Consumer Staples	1.9		1.9
Health Care	1.5		1.5
Other	3.5		3.5

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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>

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

- Performance relatively flat for August.
- Much ado about little in China – some perspective is required.

Tumultuous headlines in the financial press about Chinese regulation were belied by relatively flat performance in Asian markets and for the Fund in August. Performance was mixed by sector and country for the month. Top contributors included Chinese tech firm JD.com, Chinese property developer China Resources Land and Chinese industrial Weichai Power, while Indian airline operator InterGlobe Aviation also contributed strongly in August. Detractors included Chinese tech giant Alibaba and Korean semiconductor firms SK Hynix and Samsung, which had a weak month after recent excellent performance amid sell-side stories of an inventory build and potential DRAM price weakness, which we think are overdone.

Chinese regulation: some perspective

Recent coverage of policy reforms in China has bordered on hysterical at times.* This is unhelpful for investors. China has a very different form of government, which many in the West see as “undemocratic”. We would gently remind those commentators that this is not unusual in Asia, and not at all equivalent to poor social or economic outcomes – see for example Singapore, and to a lesser extent South Korea and Japan. Each of these Asian economic success stories display political regimes that scarcely resemble the liberal democracies of the West.

Moreover, Europe clearly has a greater penchant for regulation than the anglophone West. All global finance firms now have to comply with the Markets in Financial Instruments Directive (MiFID) and the General Data Protection Regulation (GDPR) for instance, while Margrethe Vestager has sought to hold global tech firms accountable for data practices and anti-competitive behaviour in her capacity as competition commissioner of the European Commission (Source: Time). Moreover, many European corporate governance nuances are unfamiliar to most investors in the US or Australia, notably Germany’s system of “codetermination” whereby corporate boards include worker or union representatives (Source: The New York Times).

We provide this context by way of reinforcing that one simply cannot expect the same regulation and culture of corporate governance to apply globally. China has a different system to the anglophone West – this should hardly be a shock to seasoned investors. Moreover, it is the second-largest equity market in the world, and among its cheapest. Regulations limiting property speculation, tech market abuses and time spent gaming are far from senseless nor incompatible with the functioning of markets, in our view.

Most importantly for investors, the market reaction to reforms announced in China is in marked contrast to some of the breathless commentary in the West – please refer to the accompanying chart of the Shanghai Composite Index. Note that this is despite clear evidence of China’s economy slowing amid weaker export growth in recent months (see accompanying chart) and softening purchasing managers’ indices (PMIs). China’s manufacturing PMI in August was just over the neutral level of 50 at 50.1 and the non-manufacturing PMI came in at a contractionary level of 47.5 (Source: Ollari Consulting). China’s equity market appears to have priced in the current slowdown and taken regulation in its stride, as officials have lowered the banking system’s reserve ratio requirement and indicated increased infrastructure spending is on the cards for the second half of 2021 and into 2022 (Source: Reuters).

For further discussion of Chinese regulation please see our recent articles on The Journal section of our website (<https://www.platinum.com.au/Insights-Tools/The-Journal>).



Source: Chart 1 – IBES consensus, in local currency. Correct as at 6 September 2021.



Source: Chart 2 – IBES consensus, in local currency. Correct as at 6 September 2021.



Source: Chart 3 - FactSet. Data to July 2021.



Source: Chart 4 - FactSet. Data to 3 September 2021.

* See for example <https://www.abc.net.au/news/2021-08-02/chinas-war-on-everything-turns-towards-its-own-tycoons-verrender/100341464>