

Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX



MONTHLY REPORT 31 March 2022

FACTS

Portfolio value	\$118.87 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)	\$4.1829

PERFORMANCE¹

	Fund %	MSCI %
1 month	(8.4)	(6.0)
3 months	(11.1)	(10.9)
6 months	(13.0)	(12.6)
Calendar year to date	(11.1)	(10.9)
1 year	(16.1)	(13.4)
2 years (compound pa)	5.7	4.6
3 years (compound pa)	6.1	3.2
Since inception (compound pa)	6.3	5.3

INVESTED POSITIONS OF PLATINUM ASIA FUND³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	85.6	(5.5)	80.0	90.5
Australia				0.1
China	44.1		44.1	44.6
Hong Kong	4.2		4.2	12.1
Taiwan	6.5		6.5	6.5
India	9.9	(3.8)	6.1	6.3
Indonesia	0.2		0.2	0.1
Macao	1.4		1.4	1.4
Philippines	1.9		1.9	1.9
Singapore	1.2		1.2	1.2
South Korea	10.1	(1.7)	8.4	10.2
Vietnam	6.1		6.1	6.1
Europe				0.9
United Kingdom				0.9
North America				8.6
United States of America				8.6
Sub-Total	85.6	(5.5)	80.0	100.0
Cash	14.4	5.5	20.0	
Total	100.0		100.0	100.0

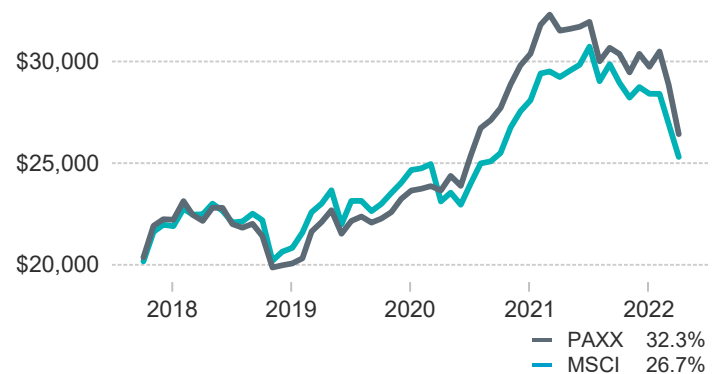
Long - 61 stocks, 1 swap Short - 1 swap, 3 indices

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	5.9
Samsung Electronics Co	South Korea	Info Technology	5.0
Vietnam Ent Investments	Vietnam	Other	4.5
InterGlobe Aviation Ltd	India	Industrials	4.1
Tencent Holdings Ltd	China	Comm Services	3.9
Ping An Insurance Group	China	Financials	3.7
ZTO Express Cayman Inc	China	Industrials	3.5
SK Hynix Inc	South Korea	Info Technology	3.4
Alibaba Group Holding Ltd	China	Cons Discretionary	3.1
China Resources Land Ltd	China	Real Estate	3.1
Total			40.3

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND³

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	17.6		17.6
Information Technology	16.6	(1.2)	15.4
Financials	12.6		12.6
Industrials	12.4		12.4
Real Estate	10.8		10.8
Communication Services	3.9		3.9
Consumer Staples	3.5		3.5
Materials	3.0		3.0
Health Care	0.7		0.7
Energy	0.1		0.1
Other	4.5	(4.4)	0.1

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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) for C Class and P Class (as indicated), and represent the combined income and capital returns for each of these unit classes in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee. The returns are calculated relative to the MSCI All Country Asia ex-Japan Net Index in A\$. Since inception date for C Class is 04/03/03 and for P Class is 03/07/17.

3. Since inception date of C Class has been used for the purposes of calculating since inception returns of the index. The investment returns depicted in the graph are cumulative on A\$20,000 invested in C Class units in the Fund since the C Class inception date. **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.

4. The "Top ten positions" show the Fund's top ten long securities positions as a percentage of the market value of the Fund's portfolio (including long securities and long securities derivative positions). All data where MSCI is referenced is the property of MSCI Limited ("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>

MARKET UPDATE AND COMMENTARY

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

- Another month of weak performance in Asia.
- China has no inflation problem.
- China is in a position to cut rates and taxes as others hike.

A weak month in Asian equities

March saw another month of weak performance in Asia, by both regional indices and the Fund. Over the month, our detractors were dominated by Chinese stocks amid a rush for the exits by global investors, in our view, along with our semiconductor holdings Samsung, SK Hynix and Taiwan Semiconductor Manufacturing. Positive contributors for the month included Alibaba, which bounced from very oversold conditions, our short positions and Indian and Vietnamese stocks. Investors may be inclined to ask “what is the point?”. After well over a decade of staggering outperformance by US equities, it feels normal for this to be the case and for emerging market and Chinese equities to underperform. However, it is worth mentioning that in the prior market cycle, non-US equities outperformed those listed in the US (see accompanying charts).

China has no inflation problem

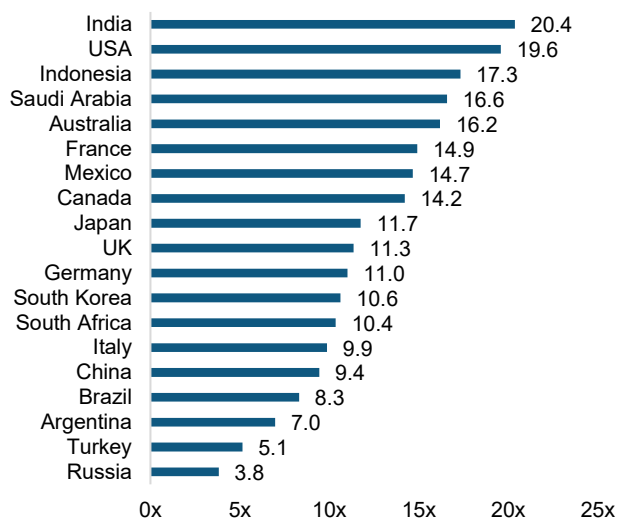
Moreover, China has run a relatively tight monetary and fiscal response to the COVID-related disruption for the last two years – with money supply, growth and inflation both running at a fraction of those in most other major economies: M2 growth in China peaked at just over 11% in the post-COVID period and was 9.2% higher in February 2022 than a year earlier; China’s consumer price index rose by just 0.9% over the 12 months to February 2022 (Source: FactSet).

China loosening as others forced to tighten

As most other major economies seem set to enter rate-raising cycles, China cut interest rates in January and seems likely to be gradually entering a rate-cutting cycle. Early in March, Chinese Premier Li Keqiang announced a range of measures designed to support the Chinese economy, including tax and fee reductions. So, as other economies are forced to reverse the effects of fiscal stimulus funded by government bond buying, China is in the reverse position, providing some moderate policy support to its economy. Late in March, it became clear that China’s zero-COVID policy was to be extended, principally with lockdowns of Shanghai and various other cities. Unsurprisingly, China’s Purchasing Managers’ Index (PMI) fell sharply following a moderate expansion the prior month: the Caixin Manufacturing PMI fell at its sharpest rate in two years to a contractionary 48.1 (Source: Reuters).

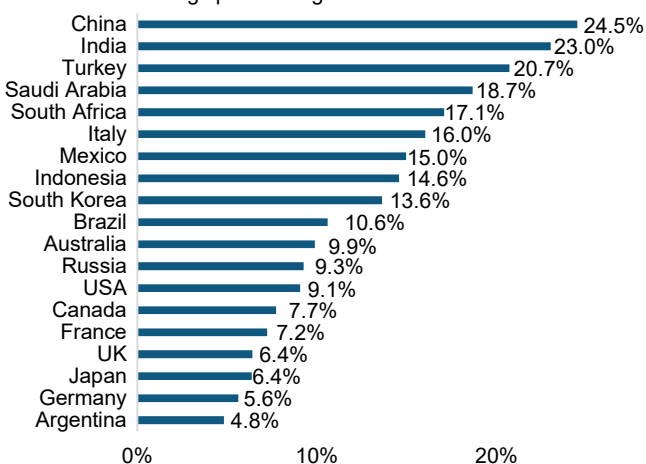
In summary, sentiment towards China among global investors is at an absolute low point, in our view. The reality is that the Chinese economy continues to lumber along, with strong earnings growth expected for its corporates, rumours of a property crisis receding (these were always vastly overblown) and officials in a position to offer moderate support in the form of interest rate and tax cuts. Most importantly, Chinese equities remain cheap and very under-owned by global investors. As such, we see China, and the region as a whole, as an important diversifier for investors and believe we are more than adequately compensated for political and sentiment risk by attractive starting valuations for what are very fine businesses.

Major market price-earnings ratios - Next 12 months

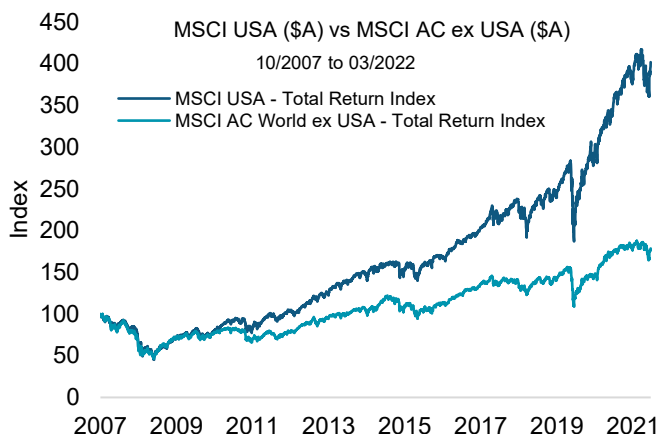


Source: Chart 1 – IBES consensus, in local currency. Correct as at 4 April 2022.

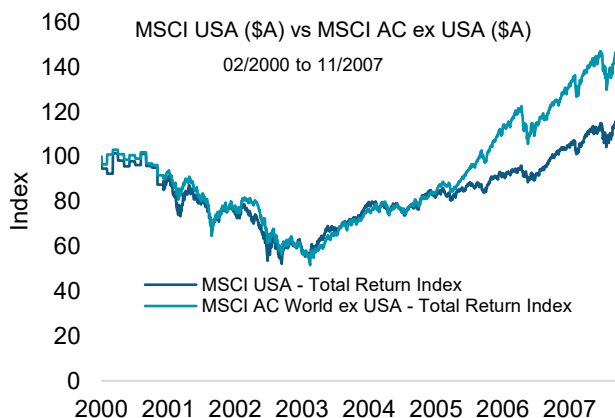
Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 4 April 2022.



Source: Chart 3 – FactSet Research Systems. Correct as at 29 March 2022



Source: Chart 4 – FactSet Research Systems. Correct as at 29 March 2022