

# Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX



MONTHLY REPORT 31 May 2022

## FACTS

Portfolio value	\$115.13 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)	\$4.1463

## PERFORMANCE<sup>1</sup>

	Fund %	MSCI %
1 month	(2.3)	(0.5)
3 months	(9.2)	(6.3)
6 months	(13.7)	(12.2)
Calendar year to date	(11.9)	(11.2)
1 year	(17.4)	(15.4)
2 years (compound pa)	4.7	4.8
3 years (compound pa)	6.7	4.7
Since inception (compound pa)	5.9	5.1

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

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	84.2	(1.0)	83.2	91.1
Australia				0.2
China	43.3		43.3	43.9
Hong Kong	4.3		4.3	11.1
Taiwan	6.1		6.1	6.1
India	9.5	(1.0)	8.5	8.7
Indonesia	0.5		0.5	0.5
Macao	1.3		1.3	1.3
Philippines	1.8		1.8	1.8
Singapore	1.5		1.5	1.5
South Korea	10.0		10.0	10.0
Vietnam	6.0		6.0	6.0
<b>Europe</b>				0.9
United Kingdom				0.9
<b>North America</b>				8.0
United States of America				8.0
<b>Sub-Total</b>	84.2	(1.0)	83.2	100.0
<b>Cash</b>	15.8	1.0	16.8	
<b>Total</b>	100.0		100.0	100.0

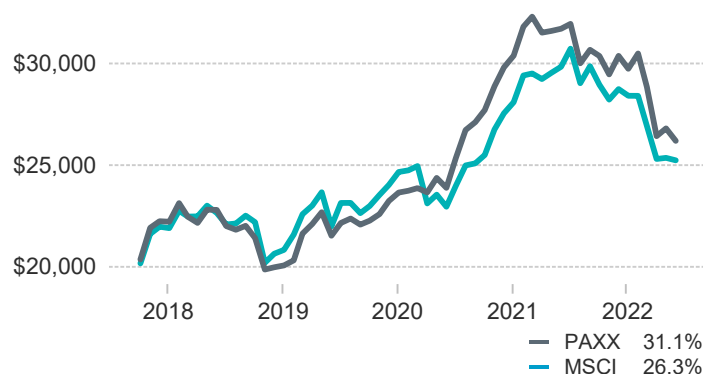
Long - 60 stocks, 1 swap Short - 1 swap, 1 index

## 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 GRAPH<sup>2</sup>



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

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.5
Samsung Electronics Co	South Korea	Info Technology	4.7
Vietnam Ent Investments	Vietnam	Other	4.2
Tencent Holdings Ltd	China	Comm Services	4.1
ZTO Express Cayman Inc	China	Industrials	4.0
InterGlobe Aviation Ltd	India	Industrials	4.0
Ping An Insurance Group	China	Financials	3.5
SK Hynix Inc	South Korea	Info Technology	3.3
China Resources Land Ltd	China	Real Estate	3.1
Alibaba Group Holding Ltd	China	Cons Discretionary	3.0
<b>Total</b>			<b>39.2</b>

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

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	18.0		18.0
Information Technology	16.0	(1.0)	15.0
Industrials	12.3		12.3
Real Estate	12.2		12.2
Financials	9.4		9.4
Communication Services	4.1		4.1
Consumer Staples	3.6		3.6
Materials	3.6		3.6
Health Care	0.7		0.7
Energy	0.1		0.1
Other	4.2		4.2

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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.

- Asia basically flat over the month of May.
- China stimulus measures continue, to little effect amid lockdowns.
- An mRNA vaccine is under development in China.

May saw another month of relative stability in Asian markets. Contributors to the Fund's performance for the month included several of our short positions including an Indian tech outsourcing firm, and the Hong Kong and Korean country indices. Our long position in Korean battery and petrochemical giant LG Chem also contributed to performance. Detractors for the month included many of the largest and highest-quality companies in Asia, including Tencent, Taiwan Semiconductor Manufacturing and SK Hynix, perhaps indicative of ongoing selling by foreigners across Asia.

### China stimulus continues

China is clearly attempting to stimulate its economy. This is apparent in data such as the 'credit impulse': credit growth less nominal GDP, with positive readings indicating increased debt to GDP (please see accompanying chart). May saw further stimulus measures such as tax cuts, loosening of vehicle sales quotas (many Chinese cities restrict the number of cars sold each year) and an acceleration of infrastructure spending (Source: Reuters).

China has been seeking to stimulate its economy since at least November last year, as we have mentioned in previous monthly commentaries. This is unlikely to have any pronounced effect in the presence of ongoing lockdowns, in our view. However, China's zero-Covid policy is unlikely to last forever.

### A Chinese mRNA vaccine is in development

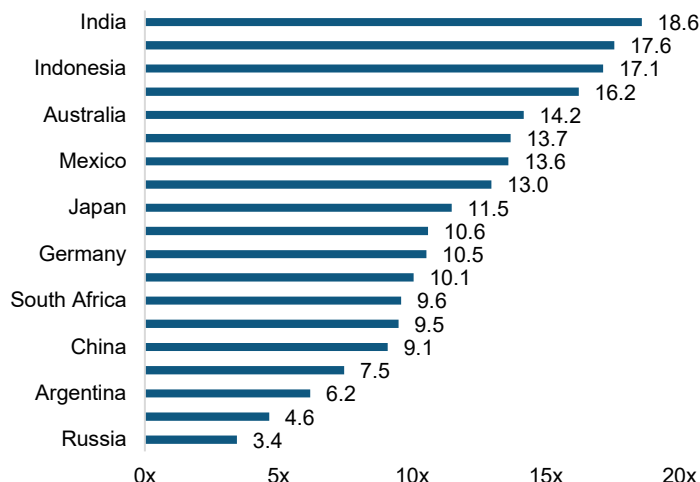
China has been developing an mRNA vaccine since March 2020. During the month, investment team members attended a virtual conference at which the CEO of Everest Biotech and the founder of CanSinoBIO spoke. We would summarise their comments as follows: progress on an mRNA vaccine is being made; there is likely to be several months to go before an mRNA vaccine is available in China; further, sufficient capacity to manufacture at the scale required to roll out a vaccine across China would take several months more; however, by late this year, there could be an mRNA vaccine available in China.

Vice-Premier Liu He, Xi Jinping's most senior economic advisor, made comments supportive of China's tech giants following a symposium with the management of many of China's tech giants. This marks another small step in the months-long thawing of relations with China's tech sector, including public recognition by Chinese officials of the importance of China's tech firms to its economy.

What appears to be building in China is similar to a coiled spring in our view: ongoing economic stimulus; a turning of the credit cycle; and an improving regulatory environment for large, listed firms. This is in marked contrast to the situation in many markets, notably the US, where enormous stimulus measures are being withdrawn, monetary policy tightened and quantitative easing reversed.

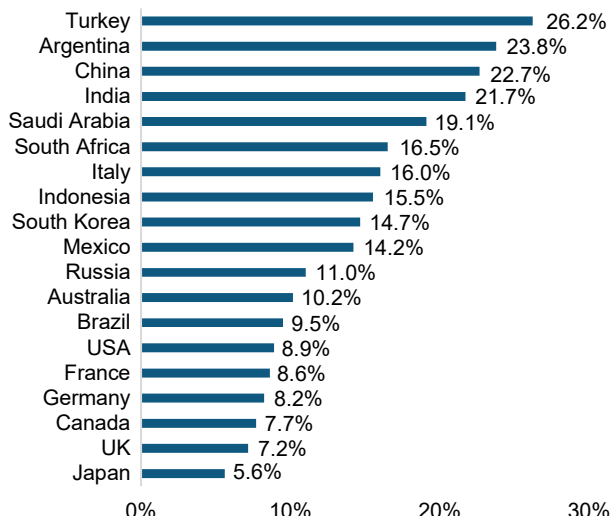
What is lacking is a relaxation of China's restrictive policy in regards to Covid given its hitherto failed response to the disease. News of successful vaccine development in Western markets was a major catalyst for improved performance in the wake of the Covid sell-off of 2020. We see no reason why news of a successful mRNA vaccine in China would not have a similar effect, with potentially significant outcomes for China, the region, and indeed, cyclical equities globally.

Major market price-earnings ratios - Next 12 months



Source: Chart 1 – IBES consensus, in local currency. Correct as at 6 June 2022.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 6 June 2022.



Source: Chart 3 – Bloomberg. From 31/12/2004 to 30/04/2022.