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The Manager
ASX Market Announcements
Australian Securities Exchange Limited
Sydney NSW 2000

Quarterly Investment Manager's Report

The 30 June 2024 quarterly investment manager's report is attached to this announcement. For more information in relation to Platinum Asia Investments Limited please refer to the website at

https://www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited

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Platinum Asia Investments Limited

ABN 13 606 647 358

Quarterly Investment Manager's Report

30 June 2024

Platinum
ASIA INVESTMENTS LIMITED

Investment Update

Platinum Asia Investments Limited (ASX Code: PAI)

Cameron Robertson
Portfolio Manager

Overview

- Asian markets performed solidly over the quarter, with Indian and Taiwanese markets doing particularly well. Chinese shares staged a mini-rally on the basis of new policies designed to support the property market. However they dropped back on lack of policy follow-through.
- Large Chinese companies like Tencent, China Resources Land and China Overseas Land – did well. The Portfolio also benefited from continuing strong performance from Indian companies **Macrotech** (property) and **Interglobe** (travel). **SK hynix**, our South Korean semiconductor holding, was up nearly 30%.
- Asian markets are attractively valued. Concerns over US dollar strength, US rates, the AI outlook and Chinese property are clouding the short-term picture but also suppressing prices and therefore throwing up good buying opportunities.

Performance

compound p.a.*, to 30 June 2024

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia (PAI)	2.0%	4.4%	-3.1%	5.6%	6.8%
MSCI AC Asia ex Jp Index^	4.7%	12.5%	-2.0%	4.5%	7.1%

PAI's returns are calculated using PAI's pre-tax net tangible asset (NTA) backing per share as released to the ASX monthly. PAI's returns are calculated after the deduction of fees and expenses, have been adjusted for taxes paid and any capital flows, and assume the reinvestment of dividends.
PAI's returns are not calculated using PAI's share price.
Portfolio inception date: 15 September 2015.
* Excluding quarterly returns.
^ Index returns refer to MSCI All Country Asia ex Japan Net Index in AUD.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited for PAI's returns; FactSet Research Systems for Index returns. See note 1, page 11.

Net Tangible Assets

The following net tangible asset backing per share (NTA) figures of Platinum Asia Investments Limited (PAI) are, respectively, before and after provision for tax on both realised and unrealised income and capital gains.

	PRE-TAX NTA	POST-TAX NTA
31 March 2024	$1.0067	$1.0128
30 April 2024	$1.0307	$1.0308
31 May 2024	$1.0213	$1.0282
30 June 2024	$1.0266	$1.0335

Source: Platinum Investment Management Limited.

The Portfolio rose 2.0% during the quarter.

Many of the themes discussed over the past couple of quarters continue to drive Asian markets. Our large semiconductor holdings **TSMC** (up 25%) and **SK hynix** (up 28%) delivered a strong performance during the quarter, as enthusiasm for AI-exposed companies gripped markets in Taiwan and Korea. Our Indian positions, **Interglobe** (+19%) and **Macrotech** – up around 30% – similarly performed well, reflecting a generally buoyant mood in India following the election.

By contrast, our smaller holdings across South-East Asia, such as **Ayala Land**, **PT Astra International**, **PT MAP Aktif Adiperkasa** (down around 24%), and **Supalai**, generally had a more challenging quarter. Persistent inflation in the US led long-term interest rates up. Higher US rates can be a negative for South-East Asian markets as money flows out of emerging markets into US Treasuries.

In China, our larger holdings, like **Tencent** and property companies **China Resources Land** and **China Overseas Land** performed well. However some smaller investments, like waterproofing company **Beijing Oriental Yuhong**, stage lighting firm **Guangzhou Haoyang Electric** (down 27%) and seed company **Yuan Longping**, saw share price falls.

Commentary – Property patterns in China, India and Indonesia

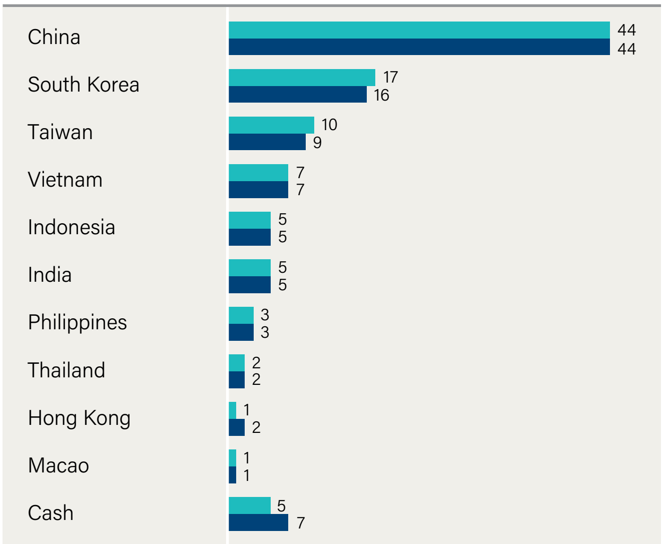
It was an eventful quarter, with Chinese markets roaring into life until late-May, with hopes rising that newly announced policy support measures could be 'the beginning of the end' of the property sector's drag on the economy. Ultimately, the hoped for policy follow-through was a little tepid, leaving unanswered questions about the scale and funding support of the initiatives. Meanwhile, property market activity in China remained relatively weak. As a result the stockmarket retraced early gains.

We took the opportunity to reduce our holdings in truck and diesel engine manufacturer **Weichai Power** and travel website operator **Trip.com** during the Chinese market's short rally. We also exited our position in **Ping An Bank**.

Despite the housing hangover we continue to find opportunities in the Chinese market. For example, we established a new position in the online video and games company **Bilibili**. The firm started out as a website catering to comic, anime and gaming enthusiasts but has now cemented its position as a general-interest YouTube like asset. This is a platform which boasts over 340m active users each month and enjoys high user engagement, with users typically logging in one out of every three days and spending 105 minutes on the platform each day they log in. The founder's maniacal focus on user experience is behind this healthy growth in usage and growing engagement means the firm can now monetise its popularity and strengthen its financial position. We had a little bit of luck as well, with one of Bilibili's newly-launched games gaining strong traction shortly after we bought into the company. Bilibili was once a market darling but has fallen out of favour since its loftily-priced IPO in 2021. However, we think the company has a bright – and potentially very rewarding – future.

During the quarter we saw elections in India and Korea. In India, Modi's coalition was re-elected with a reduced majority. The market's immediate response was mild concern that the country's policy reform momentum may slow. These jitters rapidly subsided and the stock market continued to deliver remarkably robust performance. We have continued to trim Interglobe and Macrotech, our major holdings in that market. While the outlook for India is attractive, the price of assets there is increasingly difficult for us to justify.

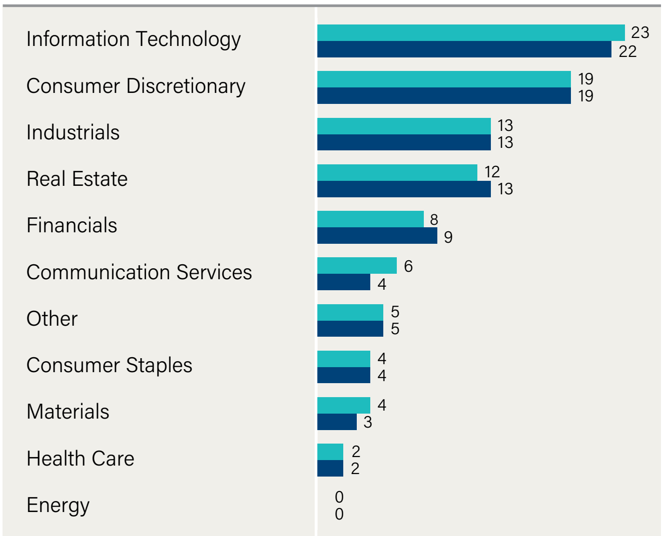
Disposition of Assets %



30 JUN 2024 31 MAR 2024

See note 2, page 11. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



30 JUN 2024 31 MAR 2024

See note 3, page 11. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	9.4%
SK Hynix Inc	South Korea	Info Technology	7.1%
Samsung Electronics Co	South Korea	Info Technology	5.5%
Vietnam Enterprise	Vietnam	Other	4.8%
Tencent Holdings Ltd	China	Comm Services	4.4%
ZTO Express Cayman Inc	China	Industrials	4.2%
JD.com Inc	China	Cons Discretionary	3.5%
China Merchants Bank Co	China	Financials	3.4%
China Resources Land Ltd	China	Real Estate	3.3%
Ping An Insurance Group	China	Financials	3.0%

As at 30 June 2024. See note 4, page 11.
Source: Platinum Investment Management Limited.

Macrotech is a well-run property developer with a strong position in the Mumbai market. We initially bought our stake in the IPO at about 10x our estimate of their earnings, and the general sentiment among investors at the time was one of mild disinterest, as the Indian property market had been lacklustre for a number of years. Over the three-plus years since the IPO, Macrotech's share price is up more than 7-fold, and the business is now trading on 60x earnings. While the underlying business has performed well, and expectations are that they will continue to deliver great results, the Portfolio has largely made money because investors have been willing to ascribe higher and higher valuation multiples to the asset.

By contrast, South-East Asian markets have generally been a little weak, and assets are priced far less aggressively. We took the opportunity to modestly increase our exposure to a few of our holdings in Indonesia during the quarter, including the leading local car and motorbike company, **Astra International**. Another company we added to was **Pakuwon Jati**, an Indonesian property developer. It's instructive to note that we were selling the Indian developer Macrotech (mentioned above) at 60x earnings. Yet we were able to top up our holding in Pakuwon Jati at less than 10x earnings. As with our first purchase of Macrotech, the Indonesian property market has been lackluster for a number of years and is viewed with mild disinterest by investors. However, the fundamentals seem attractive on a medium-term view, with economic growth at the national level flowing through to a steadily growing middle class. There is also increasing awareness that the country simply needs more housing stock.

While Pakuwon's property development arm waits for better days in the local housing market, the company's shopping mall assets provide a steady underpinning to the value of the business, funding business expansion and delivering dividends for shareholders.

Turtle chips in Korea

In Korea, we trimmed our holding in memory maker **SK hynix**. It's a well-positioned company with a strong growth outlook supported by demand from AI-driven end markets. But after a sizable share price rise over the past 18 months, we felt it prudent to start reducing our position size.

Overall, Korea remains an attractive market and during the quarter we initiated a small position in snack food & confectionary company **Orion**. Orion has a strong market share in the local Korean snack food market. You can find their products in supermarkets and convenience stores across Asia. **Costco** stocks them in Australia and the US where Orion's "turtle chips" are a hit.

Orion is a growing business, conservatively financed, with attractive economics and trading at less than 10x earnings so it feels like a bargain. The only question around our investment case was some recent unexpected (not necessarily poor – just unusual) investment decisions the company had made. Having spoken to the company about this issue, we feel that at the current share price they remain an attractive proposition.

Outlook

In the coming months, there are a range of factors investors will be watching closely to determine the path of the region's markets:

- inflation and US rates
- the Chinese property market
- US elections
- the progress of frontier models in the AI space.

There are real challenges in assessing with confidence what will likely happen even across this short list of factors. It is then critical to weigh up the impact each of these various elements will exert on different assets. The next step is to identify areas where *our* view is different to that priced in by markets.

Fortunately, over the medium to longer-term, most of this complexity collapses down to a few basic elements. In Asia there are still plenty of opportunities for companies to grow across a range industries.

Indeed, all the short-term noise can be a blessing in disguise because it drives mispricing and in general assets across the region are relatively attractively priced. As such, our job is finding areas where the competitive, regulatory, and corporate governance environment allow us to earn an attractive return for our investors.

Untrapped potential.

Why Asia still has room to grow.

After decades of growth, some worry Asian economies could fall into the 'middle-income' trap. There are good reasons to think it won't happen.

The rise of Asia is one of the seismic socioeconomic trends of the past 40 years. It changed – and extended – the lives of hundreds of millions of people.

It's also created real wealth for investors – the MSCI Asia ex Japan Index is up 8% pa. since launching in 1987.[1] Platinum Asia Investments Limited (PAI) is up nearly 7% pa. since inception in 2015.

However, some economists and investment analysts worry Asia is in danger of falling into the "middle-income trap."

The theory of the middle income trap posits that after a long-period of above average, export-led growth driven by cheap labour, middle-income countries in Asia get trapped between new, even lower-cost competitors and technologically-advanced economies like the US and Europe.

Why Asia escapes

1. Asia is not a technology laggard

A key element of middle-income trap theory is that mid-income countries can't continue to grow their income in the same way as high-technology economies like the US and Europe. Asia's evolving technology capability should ease that worry.

Taiwan, for example, is home to perhaps the most sophisticated chip-making business in the world. After years of developing unique intellectual property, TSMC, (Taiwan Semiconductor) is now the foundry trusted by Nvidia, Apple and Google to make the super-complex chips required to churn through vast datasets and enable the AI revolution. It is a significant holding in PAI.

Platinum also has a position in South Korea's SK hynix – the 6th largest semiconductor business in the world by sales. Samsung, a long-term Platinum holding, is both a semiconductor player and one of the world's leading consumer electronics businesses.

When the US tightens, Asia slows.

According to Cameron Robertson, Portfolio Manager for Platinum's Asian Strategies, it's not the middle-income trap that's been limiting Asian sharemarket gains in recent years.

"Typically, when you see a tightening cycle in the US, emerging economies get hit," says Cameron. "When you can get 5% in US treasuries it's an easy option. But US treasuries don't give you diversification and access to the long-term growth we think is available in Asia."

Cameron says the move out of Asian markets and into US assets is partly a throwback to the days when developing Asian economies and their sharemarkets were both riskier due to large fiscal and trade deficits. Today many Asian economies are in a much healthier position with respect to their current account and their budgets are under control.

1 Source: Factset, in AUD, to 30/6/24.

Many of the world's largest e-commerce platforms are Asia based. The Temu platform is targeting $US60 billion in sales this year. It's owned by PDD Holdings, a holding in PAI.

JD.com – another leading e-commerce brand from China and another holding, is growing solidly and made a net profit of US$3 billion last year.

Asia is a centre for innovation. The World Intellectual Property Organisation ranks the world's most important 'Science and Technology hubs' – the areas where the highest density of inventors and scientific authors are located. In its 2023 ranking the leading hubs – Tokyo–Yokohama, Shenzhen–Hong Kong–Guangzhou, Seoul, Beijing and Shanghai-Suzhou – were in Asia. China now has highest number of these technology clusters.[1]

Perhaps most importantly, technology firms are expanding throughout Asia. TSMC is building a plant in Singapore. Thailand and Indonesia are building electric vehicles for Chinese, Japanese and Korean car companies.

2. Trade continues to boom

The growth in intra-regional trade is another reason to believe Asian growth can roll on. The Regional Comprehensive Economic Partnership (RCEP) is an Asian free trade agreement that first took effect on 1 January 2022. It's the largest trade bloc in history, linking a market of 2.2 billion people.[2]

3. An expanding middle-class can be healthy

According to the UN Development Program,[3] the rise of Asia lifted 1.5 billion people out of poverty, with China accounting for half that number. It also lifted millions into the middle class. Today, more than 50% of Asians are part of the middle class.

Serving that middle class is a core theme for PAI. A prime example is Korea's Coway, which specialises in water and air purifiers. "That's a big issue in parts of Asia," says Cameron Robertson. "As people get wealthier they prioritise their family's health and lifestyle." Coway is well established in Korea and now increasing market share in Thailand and Malaysia.

In Indonesia, we're investing in a company called MAP Aktif, the dominant sports retailer in a demographically young country with an economy growing 5% a year. Map Aktif has around two thirds of the domestic sports market. Because of regulations around local partners and access to retail space, it's the partner-of-choice for global clothing companies wanting to capture Indonesian consumers.

"They've got very good corporate governance and top notch management information systems, so you know what's happening in the business," says Cameron. "Because they're so dominant, they can get great terms in major malls and that reinforces their bottom line."

One of the classic signs of a booming middle class is rising property prices. In India, Platinum invested in the Initial Public Offering of Macrotech, a Mumbai-based developer of high-end residential homes and apartment complexes. When we bought in, the Indian property market had been stagnant for five years and the IPO was attractively priced.

Macrotech's share price is up 35% pa. over the past five years and it's trading on a PE of 74x.[4] As a result we've started trimming our position and allocating our capital to better value opportunities – like Indonesian property.

1 www.wipo.int/global_innovation_index/en/2023/

2 Source: *How ASEAN Can Use Its Trade Advantage to Power Ahead*, BCG, May 2023.

3 See: www.undp.org/china/blog/rethinking-growth-asia-and-pacific

4 Source: Factset, local currency, June 30 2024.

Indeed, the Indonesian property market now looks similar to India five years ago. "There are retail and residential developers trading very cheaply," says Cameron Robertson. "That's an opportunity for us because their core customers – Indonesia's middle class – is getting larger and feeling more confident about the future."

The China story

Intriguingly, it is the great engine of Asian growth, China, that today looks closest to fulfilling the middle-income prophecy. Following 30 years of growth at close to 10% a year, its economy has slowed sharply.

China is struggling with the aftermath of a property crash. Long-run economic analysis suggests property slumps cut much deeper than their sharemarket cousins. They affect more people and do more damage to construction activity and consumer demand. And that's definitely visible in China today.

The Platinum view on China hinges on two interconnecting premises:

1. The overall economy should recover when Chinese property recovers and that will happen when the government puts a floor under that market. Despite numerous policy initiatives, that floor is still not in place.
2. However, China is still a massive and growing economy and there are companies in a variety of industries that are profitable, well-managed and growing. Thanks to the property hangover, you can buy them at compelling valuations.

In previous quarterlies we've discussed our holding in big Chinese stocks that fit the above criteria – like Trip.com (online travel)[5] and CATL (batteries).

We're also finding opportunities in consumer digital businesses. We recently bought into Meitu, China's biggest photo editing app. "It has a user base of two hundred and fifty million. Plus an expanding business in photo, presentation and graphics editing for business that's like a Chinese Canva," says Cameron. "There are 10 million small businesses using that app already".

What all these Chinese businesses have in common is a distinct, profitable position in large business segments. We prefer these businesses over more export-oriented names as they could thrive even if geopolitical shifts place punitive tariffs on Chinese exports.[6]

Asia – why now?

Thanks to growing intra-regional trade, a rapidly growing middle class and ongoing investment in technology, Asia is likely to step over the middle-income trap – especially if government moves help China resolve its property issues.

The World Economic Forum says Asia will "remain the motor of the global economy" in 2024 and beyond.

Given share prices have stagnated over the past few years, that means there is still time for investors to capture the upside of Asian growth by investing in high quality but undervalued companies.

5 For an in-depth look at trip.com see our article: Passports to profit?

6 For more on how geopolitics is influencing markets see our video: Geopolitics and investing in 2024

Highlights from The Journal

Visit www.platinum.com.au/lics/pai to find a repository of information about Platinum Asia Investments Limited (PAI) including:

- Performance and NTA history
- Dividend history and the Dividend Reinvestment Plan
- ASX releases and financial statements
- Monthly updates on performance, portfolio positioning and top 10 holdings.

Want to know what's happening to equity markets and individual stocks – and get more in-depth insight into Platinum's investment strategies? There's a range of articles and videos in **The Journal** section of our website.

ARTICLE

Why Japan's challenges are good news for investors[1]

With a shrinking population, stagnant workforce, falling currency and geopolitical uncertainties, Japan has its share of challenges. But Japan's response to those challenges is making life better for investors.

VIDEO

Geopolitics and investing in 2024[2]

Co-CIO Andrew Clifford discusses what he believes is the biggest geopolitical issue of our times. Then talks about the complexity of investing decisions in times of change – and why that change creates opportunity as well as risk.

ARTICLE

Not your stock-standard stock exchange[3]

The London Stock Exchange Group is built on a fabled past, the latest trading technology and a killer business model. In this video/article we dive into all these elements and into our investment case for the stock.

VIDEO

Heineken: refreshing the parts[4]

Heineken's newish CEO is cutting costs and lifting productivity at the Dutch giant. But there's plenty of other reasons to invest in the world's second biggest brewer – as Platinum's Andrew Baud explains.

1 www.platinum.com.au/the-journal/japan-has-problems-that's-good-news-for-investors
2 www.platinum.com.au/the-journal/shifting-tectonic-plates-geopolitics-and-investing-in-2024
3 www.platinum.com.au/the-journal/not-your-stock-standard-stock-exchange
4 www.platinum.com.au/the-journal/heineken-refreshing-the-parts

Notes: Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935). "PAI" refers to Platinum Asia Investments Limited (ABN 13 606 647 358) (ASX code: PAI).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. PAI's returns are calculated by Platinum using PAI's pre-tax net tangible asset (NTA) backing per share (as released to the ASX monthly). PAI's returns are calculated after the deduction of fees and expenses, have been adjusted for taxes paid and any capital flows, and assume the reinvestment of dividends. **PAI's returns have not been calculated using PAI's share price.**

   The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, PAI's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in PAI's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.
2. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows PAI's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. Country classifications for securities reflect Bloomberg's "country of risk" designations. "Shorts" show PAI's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through long derivative transactions.
3. The table shows PAI's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. 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 table shows PAI's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

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