



**Platinum Asia
Investments Limited**

ABN 13 606 647 358

**Quarterly Investment
Manager's Report**

31 December 2023



Platinum[®]
ASIA INVESTMENTS LIMITED

Investment Update

Platinum Asia Investments Limited (ASX Code: PAI)



Andrew Clifford
Portfolio Manager



Cameron Robertson
Portfolio Manager



Kirit Hira
Portfolio Manager

In Brief:

- After a tough period, prospects for the Asian semiconductor sector appear bright as recovering demand for smartphone and PC chips coincides with soaring demand for the high-end chips needed by AI-focused technologies. Three key portfolio holdings – Korea's **Samsung Electronics** and **SK Hynix** as well as **Taiwan Semiconductor** – can profit from this recovery.
- During the quarter we trimmed two Indian stocks that have done well for investors. **InterGlobe**, an airline and **Macrotech**, a property developer, are well-managed businesses with attractive positions in their sectors. However their share prices have run up with the Indian market and so we are trimming our positions.
- In 2024 there will be a series of elections in Asia's fast-growing democracies – Taiwan, Indonesia, South Korea and India. These election races – which will be tight and in many cases dominated by younger voters – may force the rollout of some election sweeteners. However, in our view, the momentum behind ongoing structural reforms is strong and this underpins the prospects of the region.

Performance

compound p.a.*, to 31 December 2023

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia (PAI)	-2.3%	-0.7%	-4.3%	5.8%	6.1%
MSCI AC Asia ex Jp Index [^]	0.7%	5.3%	-2.8%	4.3%	6.1%

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 7.

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
30 September 2023	\$0.9804	\$0.9959
31 October 2023	\$0.9597	\$0.9825
30 November 2023	\$0.9666	\$0.9868
31 December 2023	\$0.9563	\$0.9789

Source: Platinum Investment Management Limited.

In a vast and diverse region like Asia it's often hard to find a single over-arching theme that explains stock market performance over the quarter. For the PAI portfolio a recovery in Asia's chipmaker stocks was important, we saw continued strength in India and mixed results from Chinese holdings. On a broader level, the region is benefitting from ongoing economic and market reforms (which we explore more below).

The portfolio's semiconductor holdings **TSMC** (up around 12%), **SK Hynix** (up 22%) and **Samsung Electronics** (up 14%) performed well, thanks to recovering prospects for their end-markets and growing enthusiasm surrounding generative AI-related applications. Indian holdings, including airline **InterGlobe** (up 24%) and property developer **Macrotech** (up around 28%), were also strong contributors. Philippine property developer **Ayala Land** also did well (up 16%) after it disclosed plans for more project launches.

In China, our holding in e-commerce company **PDD** (up 45%) appreciated due to strong domestic profitability and growing enthusiasm around TEMU, its international offering.

Weakness in the property market offset some of these gains. Property developers **China Resources Land** and **China Overseas Land and Investment** both fell over 10% as property sales remained subdued. Outside of China, Vietnamese retailer **Mobile World** (down around 19%) was weak on subdued demand for consumer electronics.

Commentary

Global smartphone and PC shipments are expected to post a third year of decline in 2023 before recovering in 2024.

That's good news for our longstanding positions in South Korean memory chip makers Samsung Electronics and SK Hynix as well as leading semiconductor foundry **Taiwan Semiconductor (TSMC)**. For memory chip makers, 20-30% production cuts led by Samsung mean PC/smart-phone related inventory is now reaching normal levels. This is likely to continue well into 2024 and further drive down supplier inventory. As a result, memory pricing is now starting to stabilise and increase off a low base.

A recovery in chip markets

In November, Korean DRAM¹ exports increased by 28% YoY, after contracting for 16 consecutive months.² Future capex is now being directed at leading edge nodes, such as High-Bandwidth Memory (HBM) or DDR5 modules rather than legacy capacity.

While memory demand for traditional server markets remains weak, this has been offset by strong generative AI investment by cloud service providers. The race to supply HBM to integrate with graphics processing units (GPUs) for generative AI applications is now on, with supply struggling to keep up with demand.³

A typical NVIDIA H100 GPU uses 80-100GBs of HBM3 memory. SK Hynix had taken the early lead supplying HBM3 to NVIDIA but Samsung has now also started supplying the US AI leader.

The opportunity in Generative AI continues to grow (see [Funds in Focus: PITF](#)).⁴ Potential use cases are expanding out from data centres and cloud service providers to include areas such as AI-enabled PCs/smartphones and to embedded AI in automotive and industrial markets.⁵

1 Dynamic random-access memory (dynamic RAM or DRAM) is a type of random-access semiconductor memory

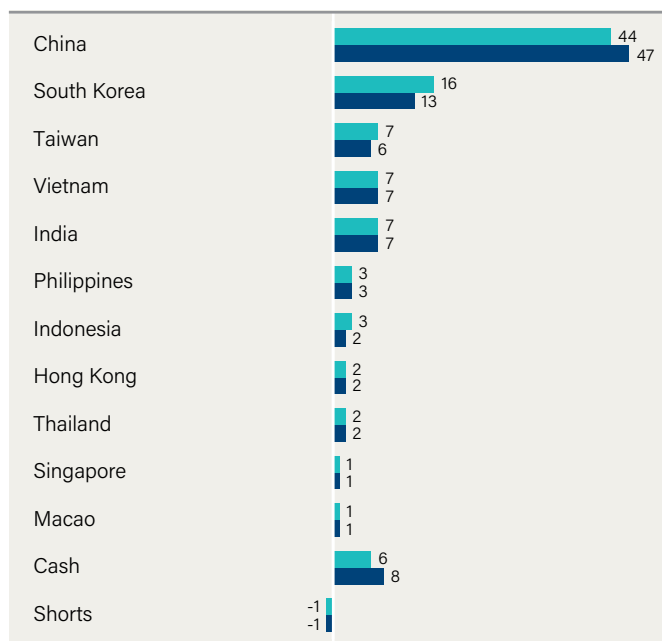
2 Source: Goldman Sachs

3 GPUs were originally focused on graphics and video rendering but are now increasingly important in AI and machine learning

4 www.platinum.com.au/insights-tools/the-journal/funds-in-focus-platinum-international-technology-fund

5 www.computerworld.com/article/3689872/generative-ai-will-change-pcs-and-smartphones-making-one-or-both-obsolete.html

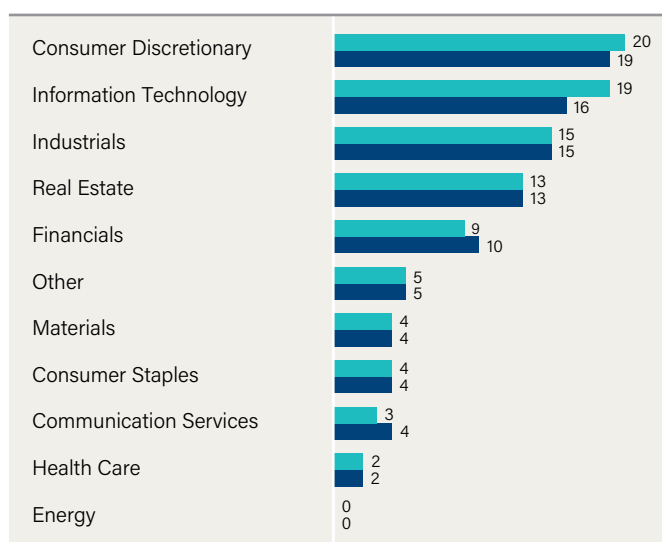
Disposition of Assets %



■ 31 DEC 2023 ■ 30 SEP 2023

See note 2, page 7. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



■ 31 DEC 2023 ■ 30 SEP 2023

See note 3, page 7. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	6.2%
Samsung Electronics Co	South Korea	Info Technology	6.1%
SK Hynix Inc	South Korea	Info Technology	5.6%
Vietnam Enterprise Inv	Vietnam	Other	5.0%
InterGlobe Aviation Ltd	India	Industrials	4.4%
ZTO Express Cayman Inc	China	Industrials	4.2%
Ayala Land Inc	Philippines	Real Estate	3.2%
China Resources Land Ltd	China	Real Estate	3.2%
JD.com Inc	China	Cons Discretionary	3.0%
Tencent Holdings Ltd	China	Comm Services	3.0%

As at 31 December 2023. See note 4, page 7.

Source: Platinum Investment Management Limited.

SK Hynix expects 100-200% HBM growth in 2024 with compound annual growth of 60-80% over the next five years. Given this positive outlook, SK Hynix is doubling capacity and Samsung expects to expand supply by 2.5x times in 2024. All the major players are also developing next generation technologies with even higher peak bandwidth and improved power consumption to match NVIDIA's ambitious AI roadmap.⁶ While Samsung and SK Hynix have performed well this year they are still trading at fair valuations of 1.5x and 1.7x trailing book value, respectively.⁷

TSMC is also a beneficiary from a cyclical recovery in PC/smartphone shipments given these markets represent around 50% of its revenue base. Growing replacement demand for high-end smartphones and PCs should drive strong demand for leading edge nodes. TSMC is currently ramping up capacity with a sizeable share of this capacity booked by Apple for its next generation of devices. TSMC is also the exclusive foundry for NVIDIA's high performance GPUs and is doubling its advanced packaging capacity to alleviate this critical bottleneck.⁸

Currently, high performance AI-related GPU represents 6% of TSMC revenue, however the company expects revenue in this segment to grow by an extraordinary 50% compound per annum over the next five years. TSMC is trading on just 15x 2024 earnings-per-share, which appears attractive for a business surfing both cyclical and structural tailwinds.

⁶ tomshardware.com/news/samsung-expects-hbm4-memory-to-arrive-by-2025#:~:text=HBM3E%20is%20good%2C%20but%20HBM4%20will%20be%20even%20better.&text=We've%20heard%20about%20HBM4,wide%20as%20HBM3's%201024%2Dbit

⁷ Source: Factset Research Services

⁸ technode.com/2023/09/25/tsmcs-advanced-packaging-capacity-under-strain-as-nvidia-amd-and-amazon-increase-orders-for-ai-chips-report/

Trimming Indian stocks

During the quarter we continued to reduce our positions in Indian stocks, namely property developer **Macrotech Developers** and low-cost airline **InterGlobe Aviation**. Both have been profitable investments for the portfolio.

InterGlobe emerged from COVID with a 60% domestic market share and a growing international business. Profitability has also improved significantly as the market is now a more rational one after a decade of industry losses, numerous airline bankruptcies and COVID. While there are some operational challenges on the horizon, the company is trading on approximately 10x our assessment of normalised earnings. This is an undemanding price so we are happy to maintain a sizeable position.

The portfolio invested in Macrotech as an anchor in its initial 2021 listing. At the time the company was working through modestly elevated leverage with a reasonable level of doubt about how the Mumbai property market, India's largest, would perform post-COVID and after a previous four-year downturn.

Macrotech has successfully reduced debt levels with unit pre-sales and pricing recovering to beyond our original expectations. Nonetheless, with property developers among the best performing sectors in India this year, valuations are edging higher, hence the decision to reduce the position. We are still comfortable owning the company as there is little evidence of overexuberance in the Mumbai property market – such as excessive price increases or high investor participation.

Outlook

Calendar 2024 will see elections across the region, spanning Taiwan, Indonesia, South Korea and India. The electorates in India and Indonesia, the world's #1 and #3 largest democracies, are increasingly skewed to a younger demographic, with Gen Zs and Millennials making up >90%⁹ and 54%¹⁰ of the voting base, respectively.

Given close polling we are likely to see some temporary tailoring of policies to gain votes. One example was the South Korean Financial Services Commission's decision to ban short-selling until June 2024. This is widely viewed as a move to appease the 14 million retail investors in the country ahead of the elections. This is a step back from the Yoon Government's market reforms designed to attract foreign investment and to see South Korea promoted to developed market status by index providers.

Nonetheless, assuming elected parties retain legislative majorities, we expect the region's focus on sensible economic and market reforms to re-emerge once elections are behind us. That could underpin stronger economic growth in the medium term.

Some optimism in China

We retain a sizeable exposure in China, a market that continues to divide opinion. Exports and industrial production remain among the bright spots, supported by autos and better US retail end-demand.

The government has rolled out a steady stream of policy adjustments designed to address the challenging property market:

- a relaxation of property down-payment minimums in Beijing and Shanghai
- RMB 1 trillion of state-directed lending to a whitelist of 50 developers
- renewed focus on affordable housing and urban village renovation projects.

At some point these policies should help distressed developers to complete projects, thus restoring consumer confidence and stabilising pricing.

While there is prolonged weakness in some pockets of the Chinese economy, the portfolio is invested in companies, both in China and across the region, where the prospects for growth are attractive and valuations extremely compelling. As a result, the portfolio is relatively fully invested.

While 2023 was a challenging year, we believe the underlying dynamics of the Asian region – and the availability of high quality stocks at reasonable prices – are likely to reward investors in the medium term.

⁹ ecommercedb.com/insights/gen-y-and-gen-z-in-india-examining-their-online-behavior/4665

¹⁰ lowyinstitute.org/the-interpreter/how-will-voters-swing-indonesia-s-2024-general-elections

Highlights from The Journal

Visit www.platinum.com.au/our-products/platinum-asia-investments-limited 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.

You can find a range of thought-provoking articles and videos on our website in **The Journal** under **Insights & Tools**.

ARTICLE

Why investing in the energy transition is not just about renewables.¹

The energy transition designed to decarbonise the world is well underway but it's becoming increasingly clear success is about much more than renewable energy. We talked to two Platinum Portfolio Managers to see how they think the transition will really work – and what that could mean for investors.

ARTICLE

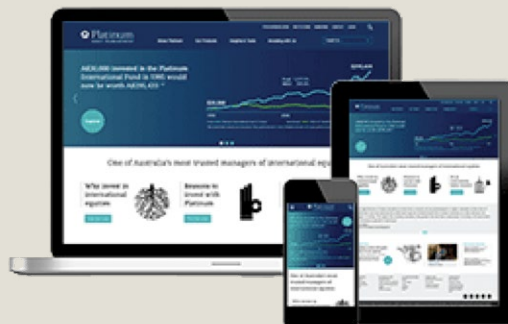
Japan's reform. New dawn or same old story?²

We've been investing in Japan for 25 years and think corporate governance reform could unleash a whole lot of value hidden inside some of Japan's biggest companies. In this article our experts report on their talk with the regulators who are driving the reform – and the companies that will change because of them.

VIDEO

Funds in Focus: Platinum European Fund.³

In the video webinar, Nik Dvornak, Co-Portfolio Manager for the Platinum European Fund, talks about big company turnarounds, the Central European consumer and the investment upsides of investing in powerful networks (like stock exchanges).



VIDEO

Funds in Focus: Platinum International Technology Fund.⁴

Jimmy Su, Portfolio manager for the Platinum International Technology Fund looks past the headlines about the “Magnificent 7” to examine some key misconceptions about generative AI and the next leg of growth for streaming services like Netflix and Amazon. He also provides an update on the Fund's portfolio.

AUDIO

Macro Overview: A Cautious Approach is Warranted, But Opportunities Still Prevail.⁵

In late September 2023, Platinum Co-CIO Andrew Clifford sat down with investment analyst Julian McCormack to discuss why Japan is now an attractive investment destination and assess some opportunities in China – particularly in the delivery, travel and auto sectors.

VIDEO

Finding Opportunities Where Others Fear to Tread.⁶

In this video, Platinum's Co-CIO, Clay Smolinski, discusses why it's hard to get macroeconomic predictions correct and how Platinum *leverages* the uncertainties inherent in macroeconomic forecasting to find mispricings that allow us to buy into valuable companies cheaply.

¹ www.platinum.com.au/insights-tools/the-journal/why-investing-in-the-energy-transition-is-not-just-about-renewables

² www.platinum.com.au/insights-tools/the-journal/japans-reform-new-dawn-or-same-old-story

³ www.platinum.com.au/insights-tools/the-journal/funds-in-focus-platinum-european-fund

⁴ www.platinum.com.au/insights-tools/the-journal/funds-in-focus-platinum-international-technology-fund

⁵ www.platinum.com.au/insights-tools/the-journal/macro-overview-a-cautious-approach-is-warranted-but-opportunities-still-prevail

⁶ www.platinum.com.au/insights-tools/the-journal/video-finding-opportunities-where-others-fear-to-t

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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Level 8, 7 Macquarie Place
Sydney NSW 2000

GPO Box 2724
Sydney NSW 2001

Telephone

1300 726 700 or +61 2 9255 7500
0800 700 726 (New Zealand only)

Facsimile

+61 2 9254 5555

Email

invest@platinum.com.au

Website

www.platinumasia.com.au