Platinum Asia Fund
(Quoted Managed Hedge Fund) - ASX: PAXX

MONTHLY REPORT **30 September 2021**

FACTS

Portfolio value	$142.78 mn
Fund commenced	12 September 2017
Fund launch	14 September 2017
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Net asset value ($ per unit)	$4.8061

FEES

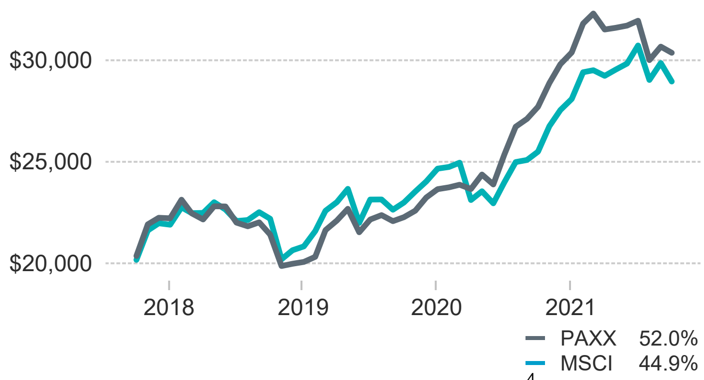
Entry fee	Nil
Buy/sell spread	0.15%/0.15%
(Platinum Asia Fund)	Investment management 1.10% p.a.
	Investment performance 15.00% p.a.*

* of the amount by which the Fund's return exceeds its index return

PERFORMANCE [1]

	Fund %	MSCI %
1 month	(1.0)	(3.0)
3 months	(4.9)	(5.8)
6 months	(3.6)	(1.0)
Calendar year to date	0.0	3.1
1 year	9.6	13.5
2 years (compound pa)	16.7	12.2
3 years (compound pa)	12.3	9.3
Since inception (compound pa)	10.9	9.6

PERFORMANCE GRAPH [2]



INVESTED POSITIONS OF PLATINUM ASIA FUND [3]

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	89.1	(0.5)	88.6	97.0
Australia				0.1
China	47.8		47.8	48.6
Hong Kong	7.0		7.0	13.8
Taiwan	5.7		5.7	5.7
India	10.3	(0.5)	9.8	10.3
Japan				0.2
Macao	1.0		1.0	1.0
Philippines	1.5		1.5	1.5
Singapore	1.2		1.2	1.2
South Korea	9.4		9.4	9.4
Vietnam	5.1		5.1	5.1
Europe				0.8
United Kingdom				0.8
North America				2.2
United States of America				2.2
Sub-Total	89.1	(0.5)	88.6	100.0
Cash	10.9	0.5	11.4	
Total	100.0		100.0	100.0

Long - 62 stocks, 1 swap Short - 1 swap, 1 index

TOP TEN POSITIONS OF PLATINUM ASIA FUND [4]

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.1
Samsung Electronics Co	South Korea	Info Technology	4.6
Tencent Holdings Ltd	China	Comm Services	3.9
ZTO Express Cayman Inc	China	Industrials	3.8
Vietnam Ent Investments	Vietnam	Other	3.7
AIA Group Ltd	Hong Kong	Financials	3.5
InterGlobe Aviation Ltd	India	Industrials	3.4
Alibaba Group Holding Ltd	China	Cons Discretionary	3.4
Weichai Power Co Ltd	China	Industrials	3.3
Ping An Insurance Group	China	Financials	3.0
		Total	37.7

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND [3]

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	19.5		19.5
Financials	15.2		15.2
Information Technology	14.7	(0.5)	14.2
Industrials	13.5		13.5
Real Estate	9.9		9.9
Materials	4.0		4.0
Communication Services	3.9		3.9
Consumer Staples	2.5		2.5
Health Care	2.1		2.1
Other	3.7		3.7

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. 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.

3. The "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio, taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. 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".

3. and 4. Country classifications for securities reflect Bloomberg's "country of risk" designations, and currency classifications for securities reflect the relevant local currencies of our country classifications.

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).

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MARKET UPDATE AND COMMENTARY

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

- Asian markets were weak in September.
- Our contrarian holdings worked well in the month.
- The case for China – a cheap equity market and a system which has been reducing gearing for a decade.

Asian markets weak in September

Non-Japan Asian markets were weak in September, as was the Fund, albeit considerably less so as various of our contrarian holdings worked well in the month. Property developers China Resources Land and China Vanke were among the Fund's strongest performers for the month. In our view, some of the indiscriminate selling in the sector reversed during September. Regulatory pressure on highly indebted property developers is positive for the larger, better-run and much better-capitalised property developers that we own, which are on all-time low valuations.

No evidence of calamity

Among the detractors for the Fund was Alibaba – we have reinitiated a position in the company, which in our view will be a larger business generating strong earnings in five years' time. Some patience may be required though. Also among detractors for the month are our holdings in chip makers Taiwan Semiconductor Manufacturing and Samsung Electronics: these are long-term holdings in a consolidated industry with its most rational industry structure in decades. So, while the equity market frets about the potential for chip prices to decline from recent peaks, we are much more interested in the excellent returns these high-quality industrial firms can generate in coming years from current, undemanding valuations.

What is remarkable about the current iteration of "China crisis" headlines is how little markets are moving in response – the Shanghai Composite Index is well off its highs for the year, but basically flat for the year to date and up healthily over three years, interbank rates and China credit default spreads are not reflecting any distress, and commodity prices remain very strong. Indications are that the Chinese economy remains very healthy.

Producer prices rose 9.5% in August and the profit of industrial enterprises in August grew 10.1% vs. a year ago (Source: CICC). China's rapid economic growth is causing some strain on its power system. Thermal coal prices are rising to historically high levels globally and some power rationing is occurring in industrial firms within China, in order to allow households to avoid such rationing. Household power demand was up 12.5% vs. a year prior in August – hardly an indication of collapsing economic activity (Source: Citi).

Revisiting the case for Chinese equities

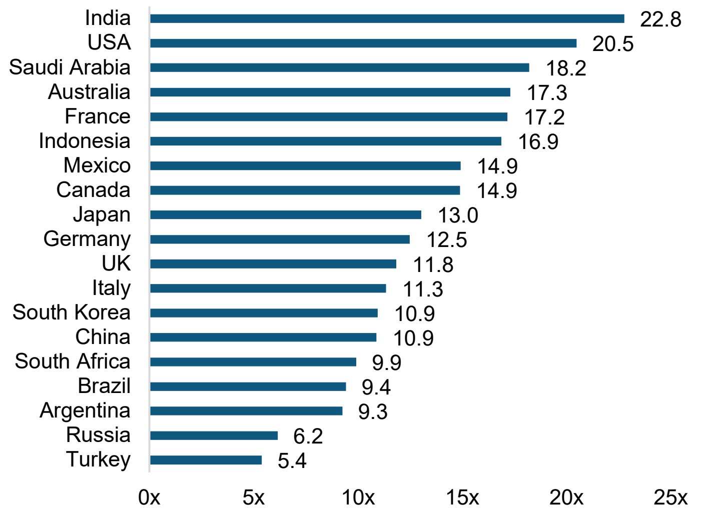
It is worth reiterating the investment case for China. In 2007, the Chinese equity market was the most expensive major market in the world on a price-to-earnings (P/E) basis, at 27x forward earnings (Source: Credit Suisse, using the MSCI AC China Index). Its economy was lauded for growing at staggering rates – 12% that year. And the country's economic model seemed unassailable. The Shanghai Composite fell 68% in a matter of months and it remains 38% below its 2007 peak some 14 years later (Source: FactSet, as at 4 October 2021). Hence our view that, in equity market terms, China does not look like a country that is about to have a financial crisis – it looks like a country that has already had one. The MSCI AC World China has de-rated from 27x in 2007 to 11x at present, going from one of the world's most expensive equity markets to among its cheapest (Source: Credit Suisse).

China's property price appreciation has been entirely unremarkable by global standards, its interest rates are among the highest of any major economy globally, first home buyers require ~30% deposits. This latter point does not get reported remotely enough: since the post GFC debt binge ending in 2010, credit growth in China has been below nominal GDP (see accompanying chart).

Chinese credit impulse

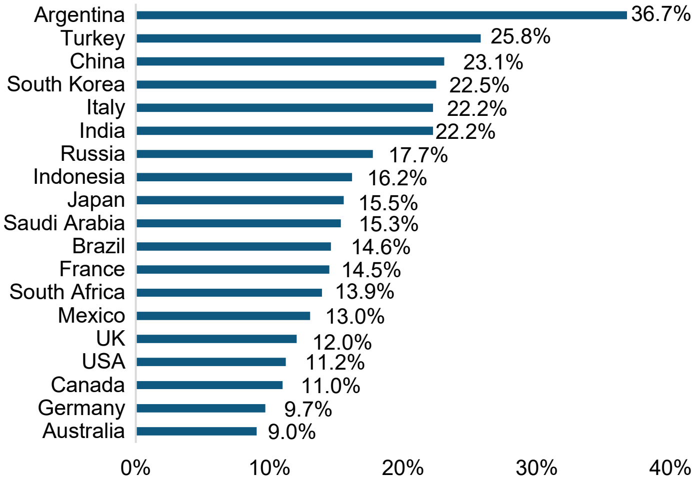
Source: Chart 3 - FactSet. Data to 31 August 2021.

Major market price-earnings ratios - Next 12 months



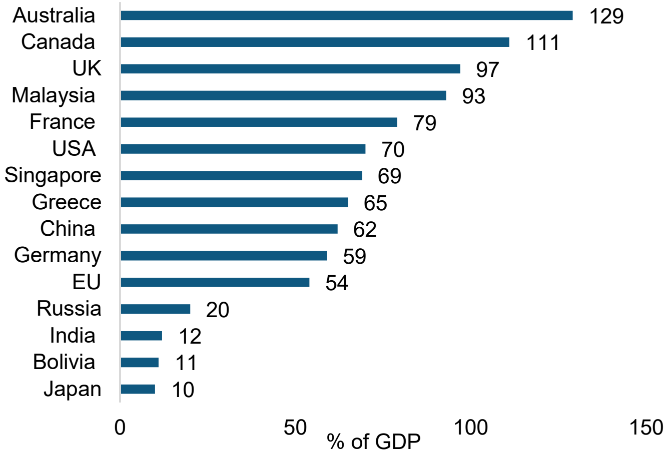
Source: Chart 1 – IBES consensus, in local currency.
Correct as at 7 October 2021.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency.
Correct as at 7 October 2021.

Household debt



Source: Chart 4 – Correct as at 7 October 2021.