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

MONTHLY REPORT **31 October 2021**

### FACTS

| | |
|---|---|
| Portfolio value | $136.71 mn |
| Fund commenced | 12 September 2017 |
| Fund launch | 14 September 2017 |
| Income distribution date | Annual, 30 June |
| Unit valuation | Sydney Business Day |
| Net asset value ($ per unit) | $4.6630 |

### FEES

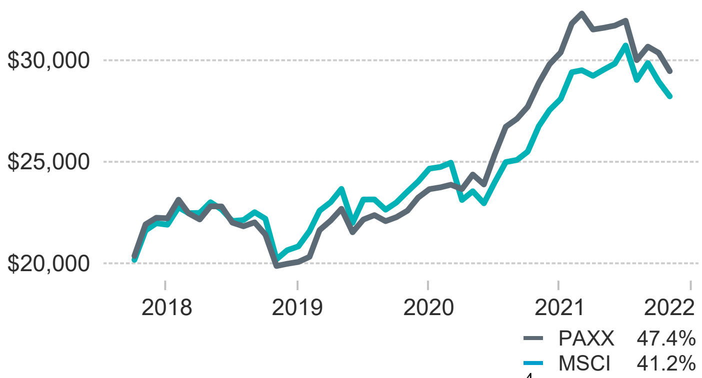
| | |
|---|---|
| Entry fee | Nil |
| Buy/sell spread | 0.15%/0.15% |
| (Platinum Asia Fund) | Investment management 1.10% p.a. |
| | Investment performance 15.00% p.a.* |

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

### PERFORMANCE [1]

| | Fund % | MSCI % |
|---|---|---|
| 1 month | (3.0) | (2.5) |
| 3 months | (1.8) | (2.8) |
| 6 months | (6.8) | (4.5) |
| Calendar year to date | (3.0) | 0.5 |
| 1 year | 2.0 | 5.5 |
| 2 years (compound pa) | 14.2 | 9.5 |
| 3 years (compound pa) | 14.0 | 11.8 |
| Since inception (compound pa) | 9.8 | 8.7 |

### PERFORMANCE GRAPH [2]




### INVESTED POSITIONS OF PLATINUM ASIA FUND [3]

| | LONG % | SHORT % | NET % | CCY % |
|---|---|---|---|---|
| **Asia-Pacific** | 88.3 | (0.9) | 87.5 | 95.3 |
| Australia | | | | 0.1 |
| China | 46.7 | | 46.7 | 47.3 |
| Hong Kong | 6.8 | | 6.8 | 13.6 |
| Taiwan | 5.8 | | 5.8 | 5.8 |
| India | 10.6 | (0.9) | 9.7 | 9.8 |
| Japan | | | | 0.2 |
| Macao | 1.0 | | 1.0 | 1.0 |
| Philippines | 1.6 | | 1.6 | 1.6 |
| Singapore | 1.0 | | 1.0 | 1.0 |
| South Korea | 9.5 | | 9.5 | 9.5 |
| Vietnam | 5.4 | | 5.4 | 5.4 |
| **Europe** | | | | 0.8 |
| United Kingdom | | | | 0.8 |
| **North America** | | | | 3.9 |
| United States of America | | | | 3.9 |
| **Sub-Total** | 88.3 | (0.9) | 87.5 | 100.0 |
| **Cash** | 11.7 | 0.9 | 12.5 | |
| **Total** | 100.0 | | 100.0 | 100.0 |

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

### TOP TEN POSITIONS OF PLATINUM ASIA FUND [4]

| STOCK | COUNTRY | INDUSTRY | % |
|---|---|---|---|
| Taiwan Semiconductor | Taiwan | Info Technology | 5.2 |
| Samsung Electronics Co | South Korea | Info Technology | 4.4 |
| Tencent Holdings Ltd | China | Comm Services | 4.1 |
| Vietnam Ent Investments | Vietnam | Other | 3.9 |
| Alibaba Group Holding Ltd | China | Cons Discretionary | 3.8 |
| InterGlobe Aviation Ltd | India | Industrials | 3.7 |
| ZTO Express Cayman Inc | China | Industrials | 3.5 |
| Ping An Insurance Group | China | Financials | 3.1 |
| AIA Group Ltd | Hong Kong | Financials | 3.1 |
| Weichai Power Co Ltd | China | Industrials | 2.9 |
| | | **Total** | 37.8 |

### INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND [3]

| SECTOR | LONG % | SHORT % | NET % |
|---|---|---|---|
| Consumer Discretionary | 20.0 | | 20.0 |
| Financials | 14.9 | | 14.9 |
| Information Technology | 14.8 | (0.9) | 14.0 |
| Industrials | 12.3 | | 12.3 |
| Real Estate | 9.5 | | 9.5 |
| Materials | 4.3 | | 4.3 |
| Communication Services | 4.1 | | 4.1 |
| Consumer Staples | 2.6 | | 2.6 |
| Health Care | 1.8 | | 1.8 |
| Other | 3.9 | | 3.9 |

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the responsible entity of the Platinum Asia Fund (the "Fund"). The Fund's latest Product Disclosure Statement (the "PDS") provides details about the Fund. You can obtain a copy of the PDS from Platinum's website www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (Australian investors only), or 0800 700 726 (New Zealand investors only), or 02 9255 7500, or via invest@platinum.com.au. The Fund's target market determination is available at www.platinum.com.au/Investing-with-Us/New-Investors. This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Platinum does not guarantee the performance of the Fund, the repayment of capital or the payment of income. The market commentary reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by Platinum for any loss or damage as a result of any reliance on this information.

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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# Platinum Asia Fund

## (Quoted Managed Hedge Fund) ASX: PAXX

MONTHLY REPORT **31 October 2021**

**MARKET UPDATE AND COMMENTARY**

Platinum® ASSET MANAGEMENT

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

- Chinese economy weak, but equity markets calm.
- We have bought back into Tencent and Alibaba.
- Samsung's excellent results and sell off are instructive.

Asian markets and the Fund were negative in October, with all of the region's key markets of China, Taiwan, Korea and India down in Australian dollar terms. Key detractors from the Fund for the month were largely in China, with our Chinese property and consumer discretionary holdings, such as China Resources Land and Anta Sports, lagging. Samsung Electronics was also weak as investors continue to shun semiconductor stocks for fear of memory prices falling from current high levels. However, we see ongoing capital discipline in a consolidated industry as continuing to make semiconductor companies very attractive holdings. Alibaba, which we have been buying in recent weeks, was our largest positive contributor in October. Our Indian stocks also did well and battery input and chemicals company LG Chem bounced back from a weak month in September to contribute strongly.

**Chinese economy weak, but market reaction muted**

Investors have been saturated with stories of crisis in China, but our view is more prosaic – stocks are somewhat weak in the midst of an economic slowdown and reform program in China, but China and non-Japan Asia more broadly continue to present long-term growth potential, attractive valuations and some very fine businesses. For more information please see The Journal section of our website (https://www.platinum.com.au/Insights-Tools/The-Journal).

The Chinese economy has clearly slowed and may be in its first technical recession of modern history (Source: Wigram Capital Advisers). However, despite all the calamitous headlines, China's equity markets have shown a muted response, due in our view, to the low valuations and investor neglect already evident in that market. As a reminder – China's equity market was the world's most expensive in 2007 and is now among its cheapest (Source: Credit Suisse). As a result, we think it is understandable that China's equity markets are basically flat for the year and up more than 60% over three years (please see accompanying chart). Further, data released during October show profits of industrial enterprises in September grew 16.3% year-on-year and at a two-year compound annual rate of 13.2% in China (Source: CICC).

**Buying back into China's tech giants**

Ongoing regulatory pressure has seen China's internet giants Tencent and Alibaba sell off heavily in recent months. These were among the Fund's biggest holdings until late 2020, when we sold due to heavy investor crowding and clear signals of the regulatory risk that was building, as we recorded in our November 2020 Monthly Update. We have used the current sell off to renew sizeable positions in these still-outstanding businesses. Regulatory risk is a fact of life for dominant platform businesses globally – recall the travails of Facebook and Google. This likely robs some of the dynamism and earnings power from such businesses. However, what remains are regulated social utilities, which can still grow earnings solidly, have enormous returns on capital and market power.

**Samsung Electronics reports a strong Q3 and the stock sells off**

Samsung Electronics reported its third-quarter earnings during October. Its memory business's earnings were up 46% year-on-year and 16% higher than the prior quarter, assisted by growth in volume and increases in average selling price (Source: Company filings). Management noted again that the amplitude of memory cycles is shallower and shorter in duration than in past decades. Capital expenditures remain muted in response to extraordinary pricing – which is central to our thesis that the semiconductor industry has genuinely changed and displays oligopolistic traits. The fact that the stock sold off and was one of our key performance detractors for the month is instructive more broadly. It is an example of equity markets' ongoing, stubborn refusal to price high rates of nominal global growth. We own shares in businesses and we think like owners. We expect to be rewarded for holding high-quality industrial businesses, which can grow earnings, have good balance sheets and market positions. At present, such firms are out of favour with investors, but either markets will price such businesses appropriately, or they will be acquired or reward shareholders with dividends and buybacks.


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


Source: Chart 2 – IBES consensus, in local currency.
Correct as at 1 November 2021.


Source: Chart 3 – FactSet. Data to 4 November 2021