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

MONTHLY REPORT **31 July 2022**

FACTS

Portfolio value	$108.94 mn
Fund commenced	12 September 2017
Fund launch	14 September 2017
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Net asset value ($ per unit)	$3.9887

FEES

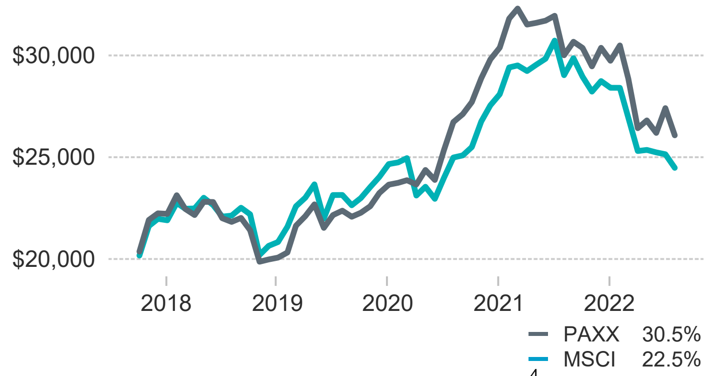
Entry fee	Nil
Buy/sell spread	0.15%/0.15%
(Platinum Asia Fund)	Investment management 1.10% p.a.
	Investment performance 15.00% p.a.*

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

PERFORMANCE [1]

	Fund %	MSCI %
1 month	(4.9)	(2.6)
3 months	(2.7)	(3.5)
6 months	(14.5)	(13.8)
Calendar year to date	(12.3)	(13.8)
1 year	(13.1)	(15.7)
2 years (compound pa)	(1.2)	(1.0)
3 years (compound pa)	5.2	1.9
Since inception (compound pa)	5.6	4.2

PERFORMANCE GRAPH [2]



INVESTED POSITIONS OF PLATINUM ASIA FUND [3]

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	90.3	(1.2)	89.1	96.7
Australia				4.0
China	47.6		47.6	48.2
Hong Kong	4.2		4.2	6.9
Taiwan	5.9		5.9	5.9
India	10.7	(1.2)	9.5	9.8
Indonesia	0.6		0.6	0.6
Macao	1.6		1.6	1.6
Philippines	1.8		1.8	1.8
Singapore	1.4		1.4	1.6
South Korea	10.3		10.3	10.2
Vietnam	6.0		6.0	6.0
Europe				1.0
United Kingdom				1.0
North America				2.3
United States of America				2.3
Sub-Total	90.3	(1.2)	89.1	100.0
Cash	9.7	1.2	10.9	
Total	100.0		100.0	100.0

Long - 61 stocks, 1 swap Short - 1 swap, 1 index

TOP TEN POSITIONS OF PLATINUM ASIA FUND [4]

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.4
Samsung Electronics Co	South Korea	Info Technology	4.5
ZTO Express Cayman Inc	China	Industrials	4.4
InterGlobe Aviation Ltd	India	Industrials	4.4
Vietnam Ent Investments	Vietnam	Other	4.3
Ping An Insurance Group	China	Financials	3.9
Tencent Holdings Ltd	China	Comm Services	3.8
SK Hynix Inc	South Korea	Info Technology	3.3
China Resources Land Ltd	China	Real Estate	3.2
Macrotech Developers Ltd	India	Real Estate	3.1
		Total	40.1

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND [3]

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	19.8		19.8
Information Technology	16.2	(1.2)	15.0
Industrials	13.4		13.4
Real Estate	13.0		13.0
Financials	11.0		11.0
Materials	4.0		4.0
Consumer Staples	3.9		3.9
Communication Services	3.8		3.8
Health Care	0.8		0.8
Energy	0.1		0.1
Other	4.3		4.3

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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. 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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MONTHLY REPORT 31 **July** 2022

MARKET UPDATE AND COMMENTARY

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

- Weak performance in July, once again reflecting concerns on China.
- Chinese property development concerns are exaggerated - in our view.

Performance was weak in July, with our Chinese tech holdings (particularly Tencent and Alibaba) and our Chinese property development stocks key detractors. Positive contributors for the month were mixed by industry across China, South Korea and India (with notable performers including Estun Automation, LG Chem and Macrotech Developers). A short position against India's Nifty index also contributed positively.

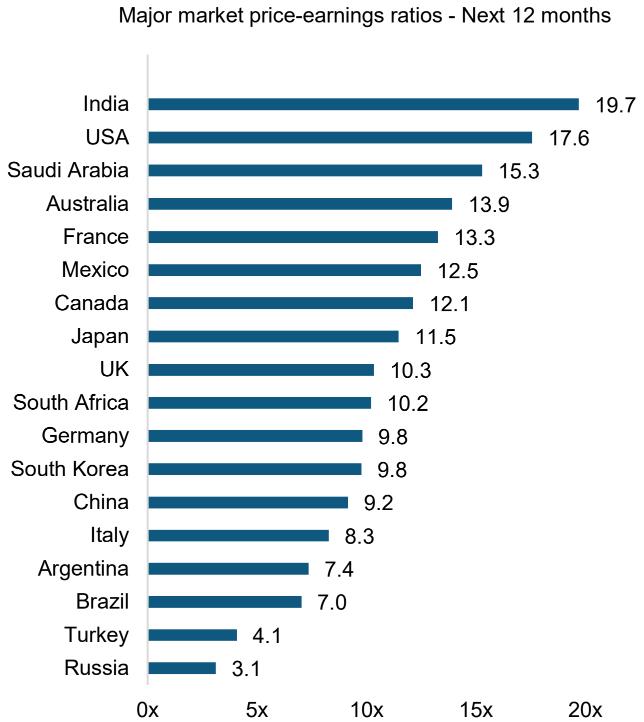
China's property "crisis"

Once again, Western media is replete with stories of China's "property crisis". These are exaggerated, in our view. China embarked on a program of regulation designed to prevent speculation in property at least six years ago, summarised by Chinese President Xi Jinping's motto "a house is for living in, not speculating on", which he said toward the end of 2016 (Source: South China Morning Post). More recent reform efforts have been designed to curtail the activities of highly indebted property developers under China's "three red lines" guidelines. These guidelines are all related to the level of gearing that Chinese property developers can take on.

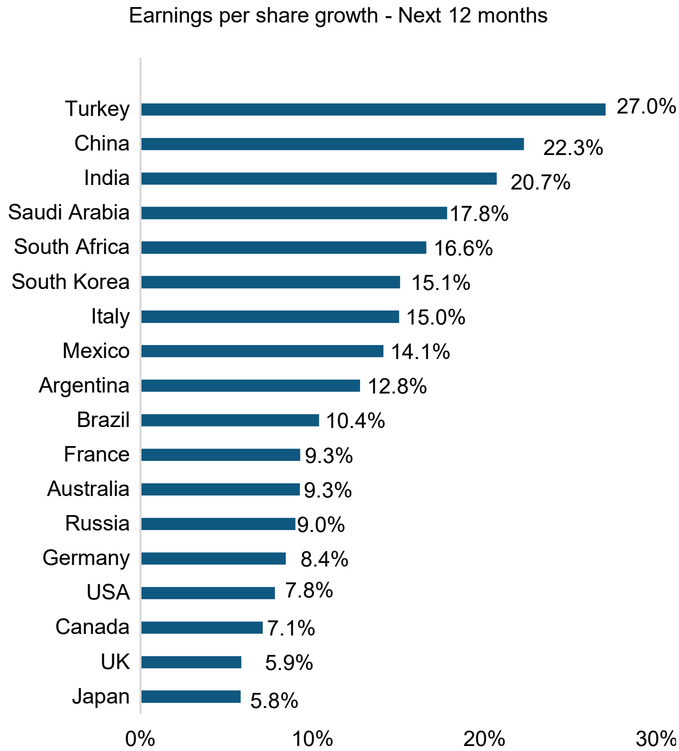
The central government has embarked on what we would characterise as a controlled demolition of small, highly geared property developers and is seeking to break the nexus between local property developers and local officials who raise revenue by selling land for development. This is disruptive. It is not a crisis. We would ask readers to look at the share prices of the better-quality Chinese property developers, such as China Resources Land or China Overseas Land & Investment – these have risen over the past year and are far from indicating distress. These are businesses with long track records of high returns on capital, under-leveraged balance sheets and a colossal runway of growth over decades, in our opinion, as China continues to urbanise.

There is a common belief that China has grossly overbuilt apartments and that there are ghost towns everywhere. We ask readers to consider the following facts. Over the past 20 years, China has completed residential construction of 11,015 million square metres (sqm). That is roughly 124 million apartments of 89sqm size, noting that 70 per cent of apartments in China need to be smaller than 90sqm by law (Source: CLSA). Assuming a household size of three people, those apartments are now housing around 371 million people, versus China's urban population of 848 million in 2019 (Source: State Council of the People's Republic of China). That means there are almost half a billion people living in properties of greater than 20 years of age – and China only started building modern housing when it liberalised the housing market in the 1990s. The older housing stock is of extremely poor quality, often with shared bathrooms and kitchens between multiple apartments. Further, China's urbanisation rate of 61% compares to 81% in South Korea and 92% in Japan (Source: World Bank). As such, we expect urbanisation to continue for several decades in China.

In the near term, the Chinese government is likely to step in to alleviate the distress of mortgagees who have drawn down mortgages for unfinished properties with developers who are in distress. However, government officials seem reluctant to let either mortgagees or banks fully off the hook as they seek to avoid moral hazard, even as they consider deploying some US$148 billion to alleviate the worst of the distress for mortgagees in particular (Source: Financial Times). Asian markets remain characterised by rapid earnings growth and reasonable multiples. The past month has seen equity investors flock back to familiar territory in US tech stocks as US 10-year bond yields have fallen. We continue to see far more value and potential in our holdings in Asia than is apparent in crowded sectors such as US tech and consumer.



Source: Chart 1 – IBES consensus, in local currency. Correct as at 4 August 2022.



Source: Chart 2 – IBES consensus, in local currency. Correct as at 4 August 2022.