

# Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

MONTHLY REPORT 31 August 2022



## FACTS

Portfolio value	\$107.01 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)	\$4.0471

## PERFORMANCE <sup>1</sup>

	Fund %	MSCI %
1 month	1.5	1.8
3 months	1.0	(1.3)
6 months	(8.3)	(7.5)
Calendar year to date	(11.0)	(12.3)
1 year	(13.7)	(16.6)
2 years (compound pa)	(1.2)	(0.3)
3 years (compound pa)	6.2	3.2
Since inception (compound pa)	5.8	4.5

## INVESTED POSITIONS OF PLATINUM ASIA FUND <sup>3</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	91.9	(1.1)	90.8	97.9
Australia				3.2
China	48.4		48.4	49.3
Hong Kong	4.1		4.1	6.7
Taiwan	5.8		5.8	5.8
India	10.6	(1.1)	9.5	9.7
Indonesia	0.6		0.6	0.6
Macao	1.6		1.6	1.6
Philippines	2.3		2.3	2.3
Singapore	1.6		1.6	1.8
South Korea	10.6		10.6	10.6
Vietnam	6.4		6.4	6.4
<b>Europe</b>				1.0
United Kingdom				1.0
<b>North America</b>				1.2
United States of America				1.2
<b>Sub-Total</b>	91.9	(1.1)	90.8	100.0
<b>Cash</b>	8.1	1.1	9.2	
<b>Total</b>	100.0		100.0	100.0

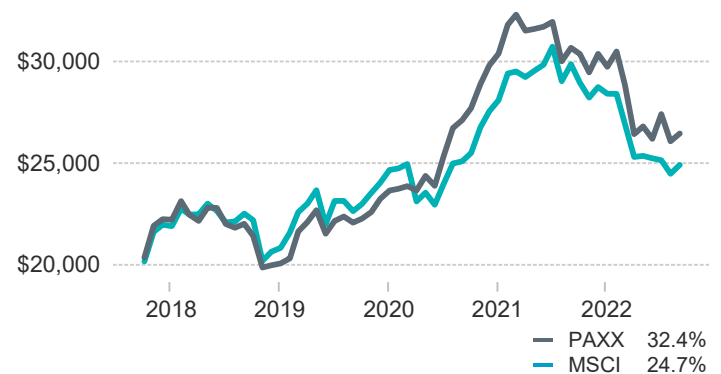
Long - 63 stocks, 1 swap Short - 1 swap, 1 index

## 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 GRAPH <sup>2</sup>



## TOP TEN POSITIONS OF PLATINUM ASIA FUND <sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.3
InterGlobe Aviation Ltd	India	Industrials	4.7
ZTO Express Cayman Inc	China	Industrials	4.6
Vietnam Ent Investments	Vietnam	Other	4.4
Samsung Electronics Co	South Korea	Info Technology	4.2
Tencent Holdings Ltd	China	Comm Services	4.1
Ping An Insurance Group	China	Financials	3.9
China Resources Land Ltd	China	Real Estate	3.2
SK Hynix Inc	South Korea	Info Technology	3.1
Alibaba Group Holding Ltd	China	Cons Discretionary	3.1
<b>Total</b>			<b>40.7</b>

## INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND <sup>3</sup>

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	20.9		20.9
Information Technology	15.5	(1.1)	14.4
Industrials	13.5		13.5
Real Estate	13.1		13.1
Financials	11.2		11.2
Consumer Staples	4.3		4.3
Communication Services	4.1		4.1
Materials	3.9		3.9
Health Care	0.9		0.9
Energy	0.1		0.1
Other	4.4		4.4

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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). All data where MSCI is referenced is the property of MSCI Limited ("MSCI"). No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>

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## MARKET UPDATE AND COMMENTARY

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

- Update on major Indian holdings.
- Taiwan tension but some other signs of progress.

The Fund saw reasonable performance in August, with Chinese technology firms JD.com and Tencent performing well, along with Indian airline operator InterGlobe Aviation. Our semiconductor holdings were detractors, notably Samsung Electronics and SK Hynix.

### Update on major Indian holdings

Major holding InterGlobe Aviation reported its Indian financial year first quarter 2023 results during the month. InterGlobe is the operator of India's largest airline, IndiGo. The company saw revenue growth of over 300% from the Covid-affected first quarter of FY2022. The business was in a small loss-making position at the operating level in the quarter, however, it has been profitable in prior recent quarters. More importantly, the industry appears to be behaving rationally under the aegis of IndiGo's dominant position and clear intention to push prices higher to maintain industry economics rather than compete on price. Ticket pricing is returning to close to pre-Covid levels, and industry volume growth remains impressive. IndiGo has a 57% market share in the domestic Indian aviation market. The company is a good example of the kind of growth story available in Asia, having grown from one plane in 2006 to a fleet of 279 today, operating over 1,600 daily flights. We think InterGlobe is trading on very low multiples of forward earnings (Source: Company filings).

Macrotech Developers is a Mumbai-focused property developer with a large land bank in India's rapidly growing commercial capital. Macrotech is targeting price growth in line with or below household income growth, and is looking to grow its mid-tier property activities in line with India's burgeoning middle class. We think the company can sustain around 20% p.a. growth rates, as India's low rate of urbanisation increases in the coming decades (see chart 3), and as the company grows its business in Mumbai and penetrates new markets, similar to its recently announced entry into the Bangalore market. Further, Macrotech's balance sheet is conservative with net debt to equity below 1 and net debt of less than three times 2022 EBITDA (Source: Company filings).

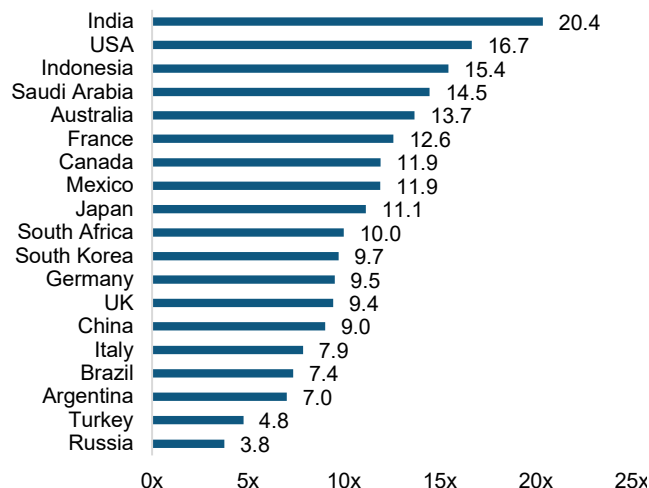
### Taiwan tension, but other signs of progress

The month of August started with more geopolitical tension, heightened by a visit from the Speaker of the United States House of Representatives, Nancy Pelosi, to Taiwan, which appeared to trigger Chinese military exercises around Taiwan. Amid the headlines, it is worth highlighting other areas of order and de-escalation.

In late August, the US Securities and Exchange Commission (SEC) announced that it had signed a "Statement of Protocol" with the China Securities Regulatory Commission (CSRC) and the Ministry of Finance of the People's Republic of China to allow for investigations and inspections by officials from the Public Company Accounting Oversight Board (PCAOB) in the US. The agreement appears significant: according to the SEC, "it marks the first time the US has received such detailed and specific commitments from China that they would allow PCAOB inspections and investigations meeting US standards" (Source: <https://www.sec.gov/news/statement/gensler-audit-firms-china-hong-kong-20220826>).

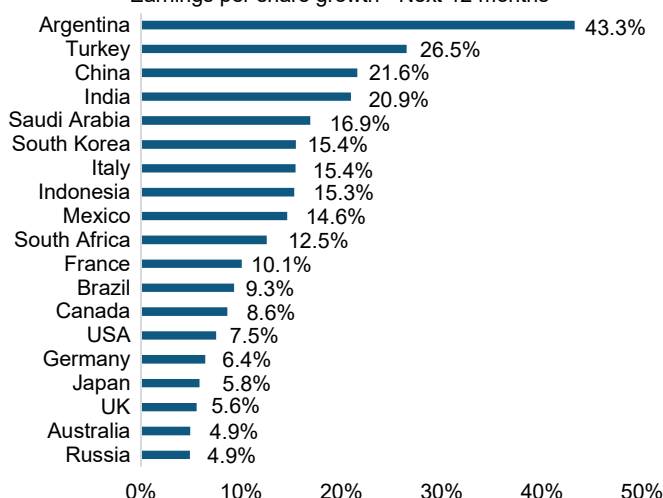
While Taiwan remains a flash point, other geopolitical fault lines between China, the US, and regional players seem to have diminished, in our view. We would ask readers to attempt to recall the last time they heard the words "South China Sea". There has been a demonstrable lessening of military and pseudo-military clashes in the region (Source: <https://csis-ilab.github.io/cpower-viz/csis-china-sea/>; credit to Marko Papić for highlighting this).

Major market price-earnings ratios - Next 12 months

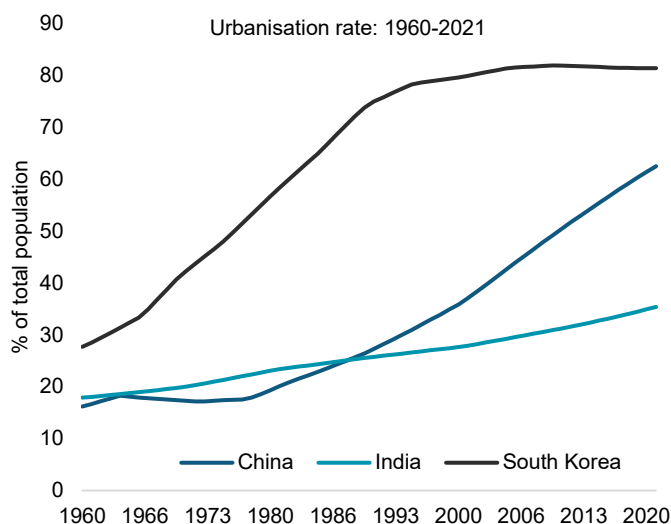


Source: Chart 1 – IBES consensus, in local currency. Correct as at 6 September 2022.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 6 September 2022.



Source: Chart 3 – United Nations Population Division. World Urbanization Prospects: 2018 Revision.