

# Platinum Asia Fund

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

MONTHLY REPORT 31 October 2022



### FACTS

Portfolio value	\$89.67 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)	\$3.4608

### PERFORMANCE <sup>1</sup>

	Fund %	MSCI %
1 month	(9.6)	(5.6)
3 months	(13.2)	(10.6)
6 months	(15.6)	(13.7)
Calendar year to date	(23.9)	(23.0)
1 year	(23.2)	(22.5)
2 years (compound pa)	(11.5)	(9.6)
3 years (compound pa)	0.0	(2.4)
5 years (compound pa)	0.6	0.2
Since inception (compound pa)	2.4	1.8

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

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	85.4	(1.3)	84.1	92.8
Australia				1.2
China	43.2		43.2	44.4
Hong Kong	3.7		3.7	7.3
Taiwan	5.1		5.1	5.1
India	9.6	(1.3)	8.3	10.5
Indonesia	0.7		0.7	0.7
Macao	1.5		1.5	1.5
Philippines	2.5		2.5	2.5
Singapore	1.5		1.5	2.0
South Korea	11.5		11.5	11.6
Vietnam	6.0		6.0	6.0
<b>Europe</b>				1.6
United Kingdom				1.6
<b>North America</b>				5.6
United States of America				5.6
<b>Sub-Total</b>	85.4	(1.3)	84.1	100.0
<b>Cash</b>	14.6	1.3	15.9	
<b>Total</b>	100.0		100.0	100.0

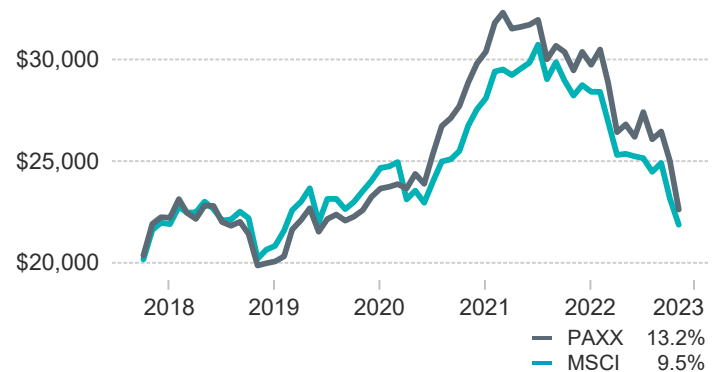
Long - 65 stocks, 1 swap Short - 1 swap, 1 index

### 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	%
InterGlobe Aviation Ltd	India	Industrials	4.7
Samsung Electronics Co	South Korea	Info Technology	4.6
Taiwan Semiconductor	Taiwan	Info Technology	4.5
Vietnam Ent Investments	Vietnam	Other	4.0
ZTO Express Cayman Inc	China	Industrials	3.8
Ping An Insurance Group	China	Financials	3.3
Tencent Holdings Ltd	China	Comm Services	3.2
Macrotech Developers Ltd	India	Real Estate	3.1
China Resources Land Ltd	China	Real Estate	3.1
SK Hynix Inc	South Korea	Info Technology	3.0
<b>Total</b>			<b>37.3</b>

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

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	17.8		17.8
Information Technology	15.5	(1.3)	14.2
Real Estate	12.8		12.8
Industrials	12.7		12.7
Financials	9.8		9.8
Materials	4.4		4.4
Consumer Staples	4.0		4.0
Communication Services	3.2		3.2
Health Care	1.1		1.1
Energy	0.1		0.1
Other	4.0		4.0

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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.

- Fund performance was weak amid macro-dominated markets.
- China - what has really changed?
- Foreign equity investors are more worried than Chinese and commodity investors.

Fund performance was weak in October in a market dominated by macro and geopolitical concerns. Our Chinese equities detracted from performance over the month, while our Korean and Indian equities offset some of the weakness in the portfolio.

### What changed?

During October, President Xi Jinping further cemented his already-established power within the Chinese state at the 20<sup>th</sup> National Congress of the Chinese Communist Party. This also saw a demotion of the technocratic parts of the administration (the Premier and the State Council) and a centralisation of power for the more ideological and political elements of the Party (Source: Wigram Capital). However, we would describe these changes as formalising an extant reality – Xi Jinping enjoys very substantial institutional power within the Chinese state.

### What has not changed:

It has been clear that Xi has had a very strong position since at least 2015, in our view. We believe much of the domestic policy record under Xi has been good, especially in pursuing significant reforms such as supply-side reforms or the elimination of excess industrial capacity, environmental improvements, a corruption crackdown, and huge investment in energy generation, particularly in nuclear and renewable energy sources.

At times, the Xi administration has overstepped the mark and has then been forced to recalibrate, for example, with the 2018 shadow banking reforms and consequent overtightening of financial conditions, as is occurring at present within the property sector, and with the management of COVID-19. In our view, the two core mistakes were the use of property price caps and not using the available effective vaccines for COVID.

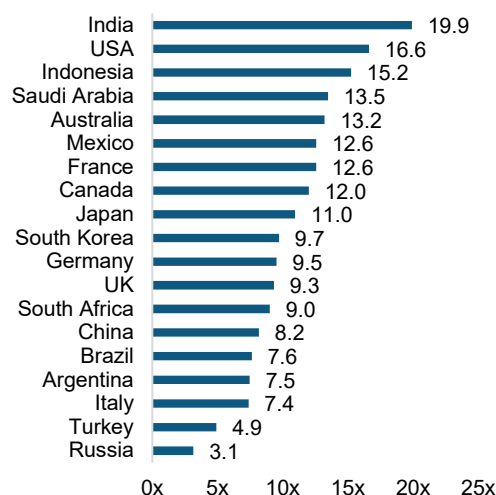
We expect Chinese leadership to be highly sensitive to economic performance, as it is the basis of their power. The Party and Xi have repeatedly reiterated their commitment to markets within the Chinese political economy.

### Market reaction nuanced

Market reaction to events in China was nuanced: the share price reactions of international companies that rely on Chinese revenue have been muted, see, for instance, Rio Tinto and BHP in resources or Tesla and Apple in consumer discretionary. Commodity prices such as copper and crude oil have similarly been relatively steady. Over the month, Hong Kong equities sold off sharply and US-listed Chinese equities sold off brutally, while the onshore A-Share market was far calmer. Southbound flows showed buying by Chinese domestic investors throughout the month, and H-Shares are at decadal lows versus A-Shares. In summary, foreigners appear much more worried than onshore Chinese investors and the key commodity markets. What's more, while media coverage is replete with stories of China being in crisis – Chinese equities have performed in line with global markets excluding the USA over the past decade (see chart 3).

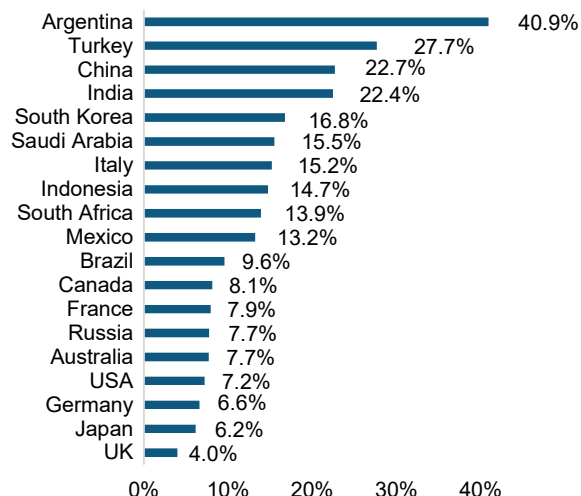
In the portfolio, we are watching these events and being patient. We have a large exposure to China, so while our instinct is to add more on this sell off, at the moment, we are being restrained, not least given the difficult economic conditions globally.

Major market price-earnings ratios - Next 12 months



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

Earnings per share growth - Next 12 months



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

MSCI ex US vs MSCI China



Source: Chart 3 – FactSet.