

Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

MONTHLY REPORT 30 November 2022



FACTS

Portfolio value	\$104.62 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)	\$4.0807

PERFORMANCE ¹

	Fund %	MSCI %
1 month	17.9	13.4
3 months	0.8	(0.4)
6 months	1.8	(1.7)
Calendar year to date	(10.3)	(12.6)
1 year	(12.2)	(13.6)
2 years (compound pa)	(5.4)	(5.1)
3 years (compound pa)	4.7	1.1
5 years (compound pa)	3.7	2.5
Since inception (compound pa)	5.7	4.2

INVESTED POSITIONS OF PLATINUM ASIA FUND ³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	93.1	(1.4)	91.8	94.6
Australia				0.4
China	49.8		49.8	50.9
Hong Kong	4.3		4.3	4.7
Taiwan	6.0		6.0	6.0
India	8.0	(1.4)	6.6	7.0
Indonesia	0.7		0.7	0.7
Macao	1.9		1.9	1.9
Philippines	2.9		2.9	2.9
Singapore	1.4		1.4	1.9
South Korea	12.4		12.4	12.4
Vietnam	5.9		5.9	5.9
Europe				0.2
United Kingdom				0.2
North America				5.2
United States of America				5.2
Sub-Total	93.1	(1.4)	91.8	100.0
Cash	6.9	1.4	8.2	
Total	100.0		100.0	100.0

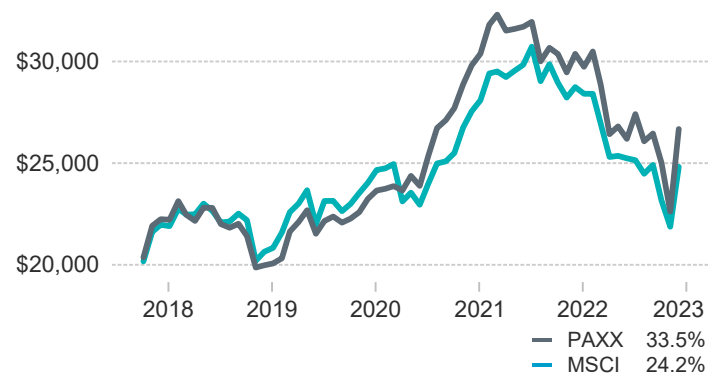
Long - 62 stocks, 1 swap Short - 1 swap, 1 index

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 ²



TOP TEN POSITIONS OF PLATINUM ASIA FUND ⁴

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.4
ZTO Express Cayman Inc	China	Industrials	4.9
Samsung Electronics Co	South Korea	Info Technology	4.8
InterGlobe Aviation Ltd	India	Industrials	4.3
Ping An Insurance Group	China	Financials	4.2
Vietnam Ent Investments	Vietnam	Other	4.1
Tencent Holdings Ltd	China	Comm Services	3.8
China Resources Land Ltd	China	Real Estate	3.6
Trip.com Group Ltd	China	Cons Discretionary	3.3
SK Hynix Inc	South Korea	Info Technology	3.0
Total			41.4

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND ³

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	19.9		19.9
Information Technology	15.5	(1.4)	14.1
Real Estate	14.1		14.1
Industrials	14.0		14.0
Financials	11.1		11.1
Materials	5.1		5.1
Consumer Staples	4.5		4.5
Communication Services	3.8		3.8
Health Care	0.9		0.9
Energy	0.1		0.1
Other	4.1		4.1

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).

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>

MARKET UPDATE AND COMMENTARY

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

- November's strong performance was driven by Chinese holdings, despite demonstrations.
- Manufacturers are responding by moving production out of China, creating new opportunities.
- Top contributor was ZTO Express, reporting increased market share and pricing power.

November saw an extraordinary burst of performance after a tough 2022 to date. Top contributors to performance were the Fund's Chinese holdings, including ZTO Express, China Resources Land and Ping An Insurance. Detractors included Vietnamese mobile retailer Mobile World Investment, Indian real estate company Macrotech Developers and Indian information technology company Infosys, which provides business consulting, IT and outsourcing services.

COVID in China in context

It is notable that November's strong performance occurred despite headlines in the Western press announcing the most serious demonstrations against the Chinese government in decades. Demonstrations and protests in China are commonplace, however, the political tenor of recent demonstrations is notable. We note that every country has struggled to deal with COVID. Demonstrations regarding COVID policy happened virtually everywhere, and finally, all societies came to some "post-COVID" accommodation. We see no reason why China will not, in the end, be similar. For example, [The Associated Press](#) reported in early December that both Beijing and Shenzhen have ended the requirement to show a negative test result to board public transport. We would expect gradual moves toward reopening to continue, albeit at a slower rate and without the support of massive stimulus that characterised the reopening trades of 2020-21 in the West and subsequent market exuberance and surging inflation. China has implemented a widespread program of vaccination against COVID, with locally produced vaccinations appearing to prevent serious illness if a course of three injections is administered (Source: The Economist). Unfortunately, the rollout to the vulnerable population of the over-eighty-year-olds was hampered by initial medical guidance recommending against full vaccination: a drive to achieve full vaccination amid the elderly is currently underway (Source: The Economist).

The changing face of Chinese manufacturing

The [Wall Street Journal](#) reported in early December that Apple is seeking to move production out of China to the greatest degree possible. This comes after unrest at the factories in China, which produce the bulk of Apple's products, and amid increases in Apple products sourced from China.

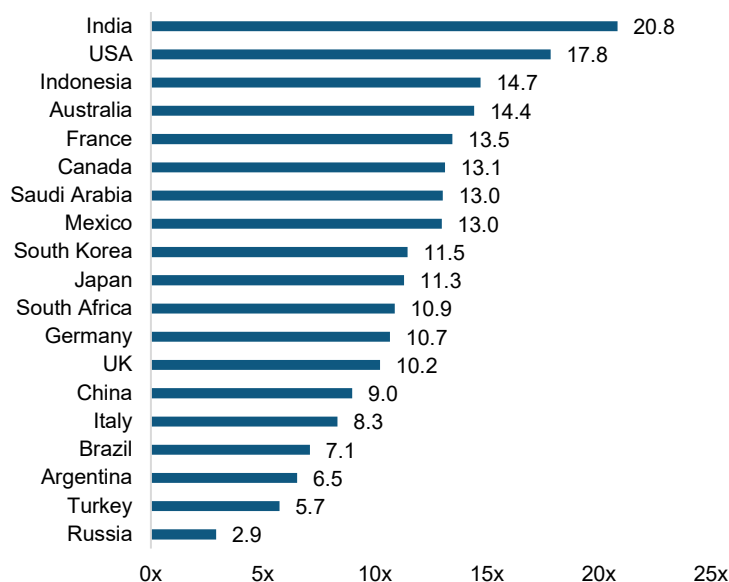
In reality, COVID reinforced China's dominance as the world's leading exporter – trade surpluses exploded in 2020 and 2021 to all-time records in US dollars (Source: World Bank). The effect has been to highlight the trade-off of fragility for efficiency, and we expect manufacturers, like Apple, to respond. Moreover, China is now a middle-income country, with approximately US\$13,000 GDP per person (Source: World Bank). In our view, it is unlikely to maintain any competitive advantage in low-end manufacturing.

These changes create opportunity. For instance, the use of robotics in China, and likely globally, can be expected to expand significantly. At present, there are approximately one million operational robots in manufacturing in China, according to the Ministry of Industry and Information Technology (MIIT). This is expected to grow to three to four million by the end of the decade, according to the [Wall Street Journal](#).

ZTO Express result

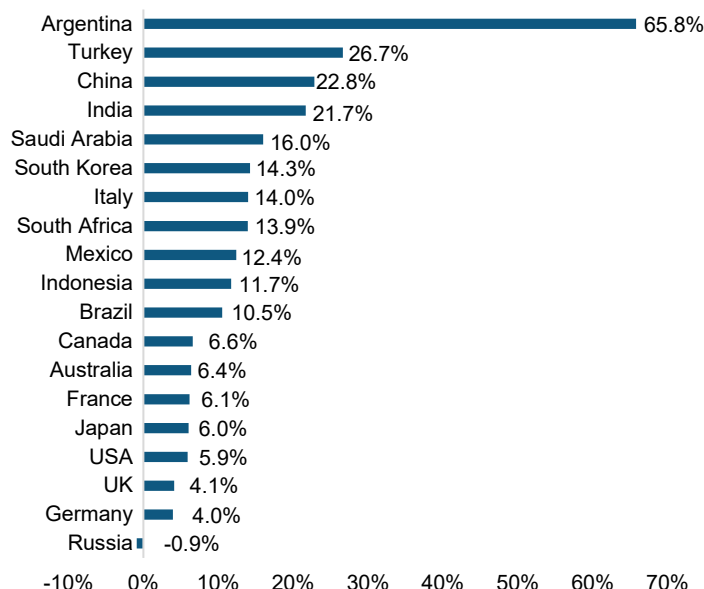
Portfolio holding ZTO Express reported its third-quarter results in late November. ZTO is China's largest package delivery company. Amid what we view as a domestic recession, the numbers were notable. The company is taking market share, posting 12% volume growth in an industry growing at 5%, and now has the power to push price following years of warring on price, with revenue per package up 10% on a year ago, which saw profits up 43% on a year ago (Source: Company filings). The stock was up 48% in US dollars in November (Source: FactSet).

Major market price-earnings ratios - Next 12 months



Source: Chart 1 – IBES consensus, in local currency.
Correct as at 5 November 2022.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency.
Correct as at 5 November 2022.