

# Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX



MONTHLY REPORT 31 December 2022

## FACTS

Portfolio value	\$104.86 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)	\$4.1418

## PERFORMANCE <sup>1</sup>

	Fund %	MSCI %
1 month	1.5	(1.4)
3 months	8.2	5.6
6 months	(1.2)	(2.7)
Calendar year to date	(8.9)	(13.9)
1 year	(8.9)	(13.9)
2 years (compound pa)	(5.6)	(6.7)
3 years (compound pa)	4.6	(0.3)
5 years (compound pa)	4.0	2.2
Since inception (compound pa)	5.9	3.9

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

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	94.0	(1.5)	92.5	95.1
Australia				0.4
China	51.9	(0.3)	51.6	52.8
Hong Kong	4.3		4.3	4.6
Taiwan	5.5		5.5	5.5
India	7.8	(1.2)	6.6	6.9
Indonesia	0.5		0.5	0.5
Macao	2.0		2.0	2.0
Philippines	2.8		2.8	2.8
Singapore	1.3		1.3	1.8
South Korea	11.4		11.4	11.3
Thailand	0.6		0.6	0.6
Vietnam	5.8		5.8	5.8
<b>Europe</b>				0.2
United Kingdom				0.2
<b>North America</b>				4.7
United States of America				4.7
<b>Sub-Total</b>	94.0	(1.5)	92.5	100.0
<b>Cash</b>	6.0	1.5	7.5	
<b>Total</b>	100.0		100.0	100.0

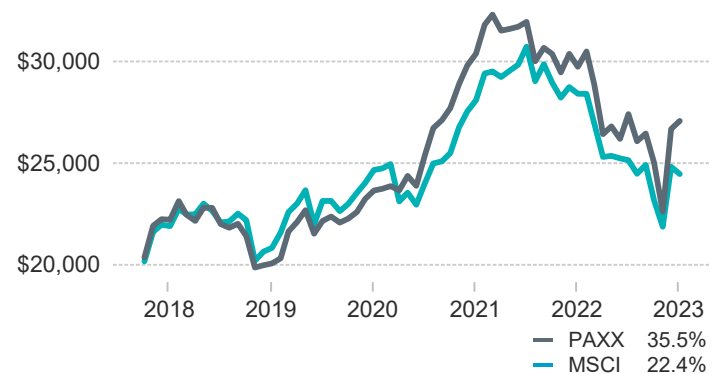
Long - 62 stocks, 1 swap Short - 2 swaps, 1 index

## 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	%
ZTO Express Cayman Inc	China	Industrials	5.1
Taiwan Semiconductor	Taiwan	Info Technology	4.8
Ping An Insurance Group	China	Financials	4.4
Samsung Electronics Co	South Korea	Info Technology	4.4
Tencent Holdings Ltd	China	Comm Services	4.3
InterGlobe Aviation Ltd	India	Industrials	4.2
Vietnam Ent Investments	Vietnam	Other	4.1
China Resources Land Ltd	China	Real Estate	3.5
Trip.com Group Ltd	China	Cons Discretionary	3.4
JD.com Inc	China	Cons Discretionary	2.9
<b>Total</b>			<b>41.2</b>

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

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	20.2		20.2
Real Estate	14.4		14.4
Industrials	14.2		14.2
Information Technology	14.5	(1.2)	13.3
Financials	11.5		11.5
Materials	5.0		5.0
Communication Services	4.3		4.3
Consumer Staples	4.5	(0.3)	4.3
Health Care	1.1		1.1
Energy	0.1		0.1
Other	4.1		4.1

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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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### MARKET UPDATE AND COMMENTARY

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

- The Fund returned 1.5% in December, capping off an 8.2% return in the quarter, after a period of weakness.
- China's COVID-zero policy shift and reopening dominated headlines in December.
- Tencent was the Fund's top contributor on the back of Beijing approving imported games.

#### Market Commentary

##### **China's COVID-zero policy shift**

December saw a shift away from China's COVID-zero policy and an easing of restrictions. Optimism regarding China's reopening quickly gave way to concerns about a larger drag on near-term economic growth and renewed concerns that new COVID variants could emerge as cases rise. As a result, more countries have imposed testing requirements for travellers from China. Our view is that the impact of the lockdowns and COVID spread is already reflected in the Chinese market, with the SSE Composite Index down 15% in 2022. As long-term investors, we are less concerned about any short-term economic setback due to rising COVID cases and maintain our focus on China's long-term economic rebound, which we think will be boosted by government policy support.

##### **December saw an improvement in relations between the West and China**

Relations between the US and China were positive in mid-December, with US regulators saying they had been allowed to inspect the work of auditors in China. This eased the threat that about 200 Chinese companies could be removed from American stock markets. It was reported that New York-listed Chinese stocks such as Pinduoduo and Full Truck Alliance were dropping plans to also list in Hong Kong, a sign they are less concerned about future regulatory conflicts (Source: The Information, 28 December 2022). A common concern about investing in China is the potential for rising conflict between the West and China. We think this concern is exaggerated and this latest cooperation is a sign that relations may be improving.

##### **Elsewhere in Asia**

South Korea's semiconductor chip production fell by the most since the global financial crisis (GFC), reflecting the deepening downturn as chipmakers struggle to clear large inventories and inflation saps demand for electronics (Source: Financial Times). A resilient rupiah and cooling inflation allowed Indonesia's central bank to slow the pace of its rate hikes, while lawmakers expanded the central bank's mandate and formalised its crisis bond-buying scheme, which was temporarily used during the pandemic.

#### Performance Analysis\*

The positive performance continued in December with the Fund up 1.5% for the month in a down market. The Fund returned 8.2% for the quarter ending 31 December 2022, with performance recovering since the end of October. Top contributors to December's performance were the Fund's Chinese holdings, including Tencent Holdings (internet and technology company), ZTO Express (parcel delivery business) and Ping An Insurance (insurance company). Detractors included LG Chem Ltd (South Korean electric vehicle battery maker), Taiwan Semiconductor Manufacturing (semiconductor manufacturer and designer) and Samsung Electronics (consumer electronics).

The top contributor to the Fund's performance, Tencent, rallied after China's video games regulator granted publishing licences to 45 foreign games and 84 domestic games. Approval of foreign games was seen as the last regulatory curb to be removed since Beijing's crackdown on the video games industry began in August 2021. Tencent won approval to publish five imported games, including *Pokémon Unite* by Nintendo and *Valorant* by Riot Games and its own game *Synched: Off-Planet*. Tencent has an amazing market position in China (its apps reach ~98% of Chinese internet users), with dominance in gaming, chat services and payments (Source: Business Insider, October 2017). Given investor scepticism about China, we were able to buy it at a discount to peers, and future growth prospects have been buoyed by this regulatory move.

#### Valuation

Given the Fund's stronger-than-market performance over the last quarter, it is no surprise that the portfolio's aggregate earnings yield is slightly lower than the market at the end of 2022 (see table below). We continue to focus on finding businesses that have better long-term growth prospects than the opportunity set but are at attractive valuations.

Metric	Platinum Asia Fund	MSCI AC Asia Ex Japan Index (A\$)
NTM Earnings Yield	7.6% (Price-to-Earnings ratio of 13.1x)	8.1% (Price-to-Earnings ratio of 12.3x)
NTM Dividend Yield	2.7%	3.3%
NTM Enterprise Value-to-Sales	1.6x	1.1x
LTM Price-to-Book Ratio	1.5x	1.5x

The valuations in the table have been calculated by Platinum and for the Fund refer to the long portion of the portfolio, exclude negative net earnings and use FactSet consensus earnings. As at 31 December 2022. NTM = next twelve months. LTM = last twelve months.

\*Source: Platinum. Contribution numbers are based on the total return of individual positions (in AUD) and are gross as they do not take into account the Fund's fees and costs (other than brokerage). **Past performance is not a reliable indicator of future returns.**