

# Platinum Asia Fund

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

MONTHLY REPORT 30 April 2023



### FACTS

Portfolio value	\$107.23 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)	\$4.2802

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

	Fund %	MSCI %
1 month	(1.1)	(0.8)
3 months	(1.8)	0.7
6 months	23.7	17.2
Calendar year to date	3.3	4.8
1 year	4.4	1.1
2 years (compound pa)	(5.9)	(6.8)
3 years (compound pa)	4.7	2.9
5 years (compound pa)	4.2	2.2
Since inception (compound pa)	6.2	4.5

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

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	94.6	(5.8)	88.7	92.8
Australia				0.4
China	50.1	(0.3)	49.8	51.9
Hong Kong	3.7		3.7	4.6
Taiwan	6.2		6.2	6.2
India	7.7	(5.4)	2.4	2.7
Indonesia	0.8		0.8	0.8
Macao	2.1		2.1	2.1
Philippines	2.5		2.5	2.5
Singapore	1.2		1.2	1.7
South Korea	13.2	(0.2)	12.9	13.0
Thailand	1.1		1.1	1.1
Vietnam	6.0		6.0	6.0
<b>North America</b>				7.2
United States of America				7.2
<b>Sub-Total</b>	94.6	(5.8)	88.7	100.0
<b>Cash</b>	5.4	5.8	11.3	
<b>Total</b>	100.0		100.0	100.0

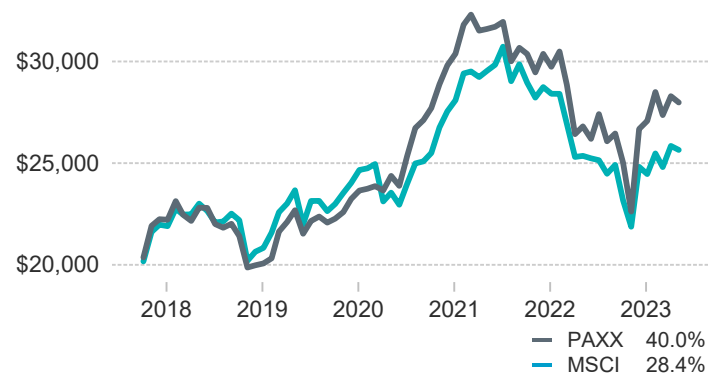
Long - 65 stocks, 1 swap Short - 3 swaps, 2 indices

### 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	5.4
ZTO Express Cayman Inc	China	Industrials	5.1
Ping An Insurance Group	China	Financials	5.0
Samsung Electronics Co	South Korea	Info Technology	5.0
InterGlobe Aviation Ltd	India	Industrials	4.4
Vietnam Ent Investments	Vietnam	Other	4.1
Tencent Holdings Ltd	China	Comm Services	3.7
China Resources Land Ltd	China	Real Estate	3.5
SK Hynix Inc	South Korea	Info Technology	3.3
Midea Group Co Ltd	China	Cons Discretionary	3.2
<b>Total</b>			<b>42.6</b>

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

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	19.0		19.0
Industrials	15.0		15.0
Information Technology	15.4	(1.1)	14.3
Real Estate	13.5		13.5
Financials	12.3		12.3
Materials	5.5	(0.2)	5.2
Consumer Staples	4.5	(0.3)	4.2
Communication Services	3.7		3.7
Health Care	1.4		1.4
Energy	0.1		0.1
Other	4.1	(4.2)	(0.1)

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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 -1.1% in April, with financials contributing the most to performance.
- April was mixed, as investors remained cautious about an uneven Chinese recovery and a global economic slowdown.
- We are focused on finding businesses that have strong, long-term growth prospects and trade at attractive valuations.

### Market Commentary

#### Mixed reactions to Chinese economic data

China's economy expanded more than expected in the March quarter, underpinned by strong growth in exports and a recovery in retail sales and property prices (source: Bloomberg). Despite the strong economic growth print, Chinese equities were sold off as investors doubted the sustainability of the rebound, and the National Bureau of Statistics of China admitted the foundation for economic recovery was "not solid yet". The bears pointed to the elevated unemployment number, particularly youth unemployment rising to a near-record high, however, this was partially explained by people returning to cities to search for jobs after the Lunar New Year holiday (source: The South China Morning Post).

We continue to believe that China is a much-unloved stock market and remains in a different part of its economic cycle from other economies in the West. The government is taking clear steps to stimulate the economy, particularly the property sector. However, no economic recovery is linear; there will be some sectors that continue to rebound while other sectors lag. Chinese consumption and travel continue to rebound, with Bloomberg reporting that millions of Chinese travellers thronged major cities and tourist hotspots over the Labor Day break, the first normal holiday period since COVID restrictions were lifted. Meanwhile, the production side of the economy is lagging, as seen in the latest purchasing managers' index (PMI) figures. We remain confident in the Chinese businesses we hold; our largest sector exposure is consumer discretionary.

#### Trade tensions ease

Geopolitical risk is always a factor to consider when investing in a country like China. Our base case is that trade wars and sanctions have a higher probability of occurring than military conflict, however, trade tensions appear to be easing. Australia announced it would suspend a complaint against China with the World Trade Organisation after Beijing agreed to review steep tariffs on Australian barley (source: Bloomberg).

#### Elsewhere in Asia

April saw a flood of economic forecasts from the International Monetary Fund, the World Bank, and the Asian Development Bank. The latter forecasts that South Asia will be the standout region this year, growing by 5.5% followed by 6.1% next year, mainly due to India's strength. Platinum has a contrarian investing style, looking for those stocks that are unloved or overlooked by the market because there has been an overreaction to a temporary setback or an underappreciation of a significant change underway. The tailwinds for the Indian economy are well known, and while we like the story, we can find few stocks that are unloved or overlooked by the market and have compelling valuations. The Indian stock market is the most expensive in the G20 at 19x 1-year forward P/E, with lower expected earnings growth than China, which is only trading on 9.6x 1-year forward P/E (source: FactSet).

### Performance Analysis\*

The Fund returned -1.1% for the month. Top contributors to the Fund's performance were Chinese insurance company Ping An Insurance, Indian low-cost carrier InterGlobe Aviation and Chinese white goods company Midea. Detractors included Chinese technology companies Alibaba, JD.com and Tencent.

### Valuation

The portfolio's aggregate earnings yield is roughly in line with the market (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	8.0% (Price-to-Earnings ratio of 12.5x)	7.9% (Price-to-Earnings ratio of 12.6x)
NTM Dividend Yield	2.7%	3.1%
NTM Enterprise Value-to-Sales	1.5x	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 30 April 2023. 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.**