

Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

MONTHLY REPORT 31 May 2023



FACTS

Portfolio value	\$104.78 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)	\$4.2205

PERFORMANCE ¹

	Fund %	MSCI %
1 month	(1.4)	0.2
3 months	0.8	3.7
6 months	3.4	3.6
Calendar year to date	1.9	5.1
1 year	5.3	1.9
2 years (compound pa)	(6.7)	(7.2)
3 years (compound pa)	4.9	3.8
5 years (compound pa)	3.9	2.6
Since inception (compound pa)	5.8	4.5

INVESTED POSITIONS OF PLATINUM ASIA FUND ³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	95.0	(6.2)	88.8	92.0
Australia				0.3
China	46.4	(0.3)	46.1	48.1
Hong Kong	3.4		3.4	3.8
Taiwan	7.1		7.1	7.1
India	8.5	(5.5)	3.0	3.3
Indonesia	1.8		1.8	1.8
Macao	2.0		2.0	2.0
Philippines	2.5		2.5	2.5
Singapore	1.1		1.1	1.2
South Korea	14.3	(0.3)	14.0	14.0
Thailand	1.5		1.5	1.5
Vietnam	6.3		6.3	6.3
North America				7.9
United States of America				7.9
Sub-Total	95.0	(6.2)	88.8	100.0
Cash	5.0	6.2	11.2	
Total	100.0		100.0	100.0

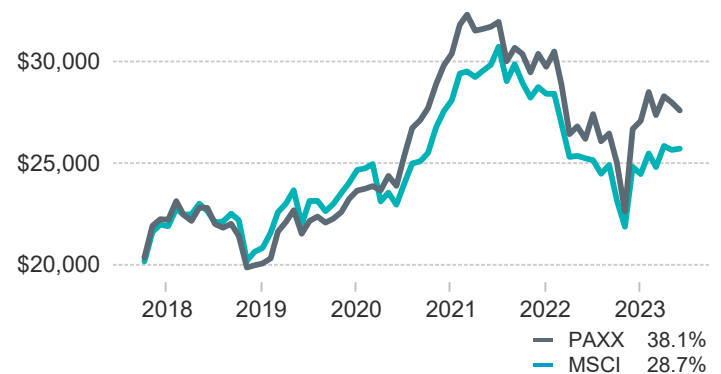
Long - 67 stocks, 1 swap Short - 4 swaps, 2 indices

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 ²



TOP TEN POSITIONS OF PLATINUM ASIA FUND ⁴

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	6.3
Samsung Electronics Co	South Korea	Info Technology	5.7
InterGlobe Aviation Ltd	India	Industrials	4.8
ZTO Express Cayman Inc	China	Industrials	4.8
Vietnam Ent Investments	Vietnam	Other	4.4
Ping An Insurance Group	China	Financials	4.2
SK Hynix Inc	South Korea	Info Technology	4.2
Tencent Holdings Ltd	China	Comm Services	3.5
Macrotech Developers Ltd	India	Real Estate	3.1
China Resources Land Ltd	China	Real Estate	3.0
Total			44.0

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND ³

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	18.4		18.4
Information Technology	18.0	(1.2)	16.8
Industrials	16.0	(0.1)	15.9
Real Estate	13.2		13.2
Financials	11.0		11.0
Materials	4.8	(0.3)	4.5
Consumer Staples	4.0	(0.3)	3.7
Communication Services	3.6		3.6
Health Care	1.5		1.5
Energy	0.1		0.1
Other	4.4	(4.3)	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 -1.4% in May, with positions in information technology the largest positive contributor to returns.
- Investors remain cautious about a Chinese economic recovery and geopolitical tensions.
- We are focused on finding businesses that have strong long-term growth prospects but are at attractive valuations.

Market Commentary

China falls on economic recovery fears

The Shanghai Composite Index fell 3.6% and the Hang Seng Index fell 8.3% in May (source: FactSet) on growing doubts over China's economic recovery and concern over whether a debt ceiling deal could be reached in the US. Manufacturing activity, industrial profits, loan growth and retail sales data all missed expectations on the downside and either stalled or fell month on month from April. It is worth remembering that it has been less than six months since China emerged from lockdown, and no recovery is linear. We still see China as a much-unloved stock market and remain confident in the Chinese businesses we hold. What gives us this confidence is that, unlike the West, there were no broad government stimulus programs during lockdown that artificially inflated company earnings. In our view, the steps the government is taking to stimulate the economy are measured and sustainable. We are mindful of geopolitical tensions between China and the West. The Fund's Chinese holdings are largely companies that use Chinese inputs and sell primarily to a domestic market, lessening the risk that these companies would be negatively impacted by sanctions or further deterioration in foreign relations.

India remains pricey

Despite the Indian stock market weakening in both an absolute and relative sense thus far in 2023, it remains the most expensive market in the G20, trading on a one-year forward price-to-earnings (P/E) ratio of 19.4x with an estimated 12-month earnings per share (EPS) growth rate of 20.4% vs. China's at 24.8% and a P/E of 9.3x (source: FactSet). The Indian story is exciting and well-known: a highly educated population, a growing middle class, and a country on track to become the world's third-largest economy. As contrarian investors, Platinum invests in oversold companies that have good medium-term growth prospects. We will continue to monitor select companies in India and wait for a pullback in valuations.

Elsewhere in Asia

Korea and Taiwan's markets rose during May, reflecting strength in their semiconductor stocks following Nvidia's buoyant outlook statement on artificial intelligence (AI) chip technology. Semiconductor stocks have been a long-term holding in the Fund, comprising ~14% of the portfolio, and they were the top contributors to performance for May. Southeast Asian markets were lower as investors turned more cautious about the region's export-dependent economies.

Performance Analysis*

The Fund returned -1.4% for the month. Top contributors to May's performance were South Korean semiconductor company SK Hynix, Indian low-cost carrier InterGlobe Aviation and Taiwan semiconductor company Taiwan Semiconductor Manufacturing. Detractors were Chinese real estate company China Resources Land, Chinese grocery delivery company Dingdong and Chinese insurance company Ping An Insurance.

Valuation

The Fund's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 5% higher earnings yield and a 7% discount to book value (see table below). We continue to deploy Platinum's contrarian investment process, which focuses on finding businesses that we believe have better long-term growth prospects but are oversold or out of favour due to temporary setbacks and therefore trading at attractive valuations.

Metric	Platinum Asia Fund	MSCI AC Asia Ex Japan Index (A\$)
NTM Earnings Yield	8.5% (Price to earnings ratio 11.8x)	8.1% (Price to earnings ratio 12.3x)
NTM Dividend Yield	2.8%	3.2%
NTM Enterprise Value-to-Sales	1.4x	1.1x
LTM Price-to-Book Ratio	1.4x	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 May 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.**