

Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX



MONTHLY REPORT 30 June 2023

FACTS

Portfolio value	\$103.33 mn (Post distribution)
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)	\$4.2314 (Post distribution)

PERFORMANCE ¹

	Fund %	MSCI %
1 month	1.8	(0.1)
3 months	(0.8)	(0.7)
6 months	3.7	5.0
Calendar year to date	3.7	5.0
1 year	2.4	2.1
2 years (compound pa)	(6.2)	(8.6)
3 years (compound pa)	3.5	2.3
5 years (compound pa)	5.0	3.1
Since inception (compound pa)	6.0	4.4

INVESTED POSITIONS OF PLATINUM ASIA FUND ³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	92.7	(6.3)	86.4	90.5
China	45.6	(0.3)	45.3	47.4
Hong Kong	3.1		3.1	4.6
Taiwan	6.7		6.7	6.8
India	8.5	(5.5)	3.0	3.3
Indonesia	1.8		1.8	1.8
Macao	1.7		1.7	1.7
Philippines	2.3		2.3	2.3
Singapore	1.2		1.2	1.2
South Korea	13.6	(0.5)	13.1	13.1
Thailand	1.5		1.5	1.5
Vietnam	6.7		6.7	6.7
Other Asia-Pacific				0.1
North America				9.5
United States of America				9.5
Sub-Total	92.7	(6.3)	86.4	100.0
Cash	7.3	6.3	13.6	
Total	100.0		100.0	100.0

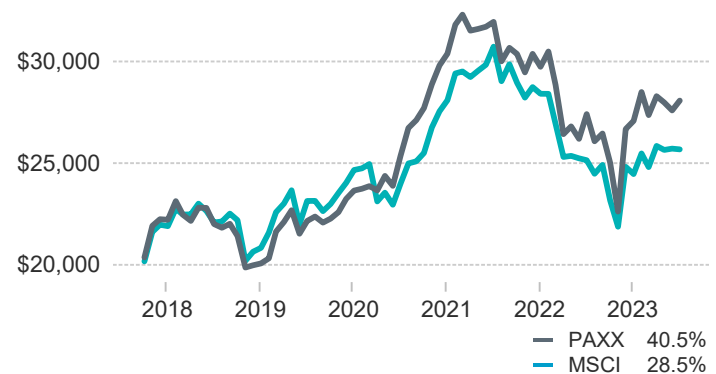
Long - 66 stocks, 1 swap Short - 4 swaps, 2 indices

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	5.9
Samsung Electronics Co	South Korea	Info Technology	5.4
InterGlobe Aviation Ltd	India	Industrials	4.8
Vietnam Ent Investments	Vietnam	Other	4.7
ZTO Express Cayman Inc	China	Industrials	4.5
SK Hynix Inc	South Korea	Info Technology	4.1
Ping An Insurance Group	China	Financials	3.8
Tencent Holdings Ltd	China	Comm Services	3.6
China Resources Land Ltd	China	Real Estate	3.3
Macrotech Developers Ltd	India	Real Estate	3.1
Total			43.2

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND ³

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	18.3		18.3
Information Technology	17.3	(1.2)	16.0
Industrials	15.9	(0.2)	15.7
Real Estate	12.9		12.9
Financials	9.9		9.9
Materials	4.5	(0.4)	4.2
Consumer Staples	4.1	(0.3)	3.8
Communication Services	3.7		3.7
Health Care	1.4		1.4
Energy	0.1		0.1
Other	4.7	(4.3)	0.5

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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 1.7% in June, with positive contributions from Indian and Chinese property developers.
- Investors remain cautious about a Chinese recovery and geopolitical tensions.
- We are focused on finding businesses that have strong long-term growth prospects with attractive valuations.

Market Commentary

China's reopening economic recovery disappoints but could provide an opportunity

Investors' primary concern with China now seems to be weaker-than-expected economic data, eclipsing geopolitical risks and a potential US recession. After starting 2023 on a high note, the market seems to have lost confidence, as the second leg of the reopening rally proved elusive. Disappointing consumer spending during the Dragon Boat holiday and data showing that manufacturing activity had contracted and services were losing steam also hurt sentiment. However, we believe that this could be a buying opportunity, with the increased likelihood of additional stimulus, under-representation in investor portfolios, relative market value compared to history and peers, and the potential for earnings upgrades.

China stimulus has been targeted thus far

Stimulus in China has been targeted to date, with the announcement of 22 measures aimed at reducing costs for businesses and 16 measures to boost exports (source: National Development and Reform Commission). There was also a support package to boost the EV sector, and tax breaks were announced for high-end manufacturing companies. China is a dynamic country with best-in-class sectors that should benefit from targeted stimulus. Take EVs, for instance, investors often forget that China leads the world in terms of EV sales and is now the second-largest exporter of cars, overtaking Germany (source: Statista and Market Research Future, respectively). Chinese companies also dominate battery material refining and battery technology. Platinum's investing philosophy and process is to find mispriced stocks and great long-term opportunities in areas that are out of favour and away from the crowd, and this is the case with the Fund's Chinese investments.

Elsewhere in Asia

Monthly performance in other Asian markets was mixed in June. Indian stocks spiked to record levels on sustained overseas inflows and strong economic data. Taiwan's stock market was led higher by chip stocks, as the sector benefited from a second month of AI chip optimism. In contrast, Korea's stock market rally in May lost steam amid an ongoing slowdown in its exports and the domestic economy, and Thailand's market continued to see capital outflows as the political impasse over its new coalition government continued and its central bank said it expects to continue tightening monetary policy to battle inflation.

Performance Analysis*

The Fund returned 1.7% for the month. Top contributors to June's performance were property developers in India (Marotech Developers) and China (China Resources Land), Chinese electrical appliance manufacturer Midea (after it dropped its takeover bid for Electrolux) and Indian passenger airline InterGlobe Aviation. Detractors included Chinese wealth management company Noah, Philippine property developer Ayala Land and Chinese parcel delivery service ZTO Express.

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 (see table below). We continue to deploy Platinum's contrarian investment process, which focuses on finding businesses that have better long-term growth prospects but are oversold or out of favour due to temporary setbacks and therefore have attractive valuations.

Metric	Platinum Asia Fund	MSCI AC Asia Ex Japan Index (A\$)
NTM Earnings Yield	8.2% (Price to earnings ratio 12.2x)	7.8% (Price to earnings ratio 12.8x)
NTM Dividend Yield	2.7%	3.1%
NTM Enterprise Value-to-Sales	1.4x	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 June 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.**