

Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

MONTHLY REPORT 31 July 2023



FACTS

Portfolio value	\$106.52 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)	\$4.4374

PERFORMANCE ¹

	Fund %	MSCI %
1 month	4.9	4.8
3 months	5.2	4.9
6 months	3.3	5.7
Calendar year to date	8.7	10.0
1 year	12.9	10.0
2 years (compound pa)	(0.9)	(3.7)
3 years (compound pa)	3.3	2.5
5 years (compound pa)	6.2	4.0
Since inception (compound pa)	6.8	5.2

INVESTED POSITIONS OF PLATINUM ASIA FUND ³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	93.3	(2.9)	90.4	95.0
China	48.1		48.1	50.9
Hong Kong	2.5		2.5	4.0
Taiwan	6.2		6.2	6.3
India	7.2	(2.2)	5.0	5.3
Indonesia	2.1		2.1	2.0
Philippines	2.5		2.5	2.5
Singapore	1.2		1.2	1.2
South Korea	13.6	(0.8)	12.8	12.9
Thailand	1.6		1.6	1.6
Vietnam	7.3		7.3	7.3
Other Asia-Pacific	0.9		0.9	1.0
North America				5.0
United States of America				5.0
Sub-Total	93.3	(2.9)	90.4	100.0
Cash	6.7	2.9	9.6	
Total	100.0		100.0	100.0

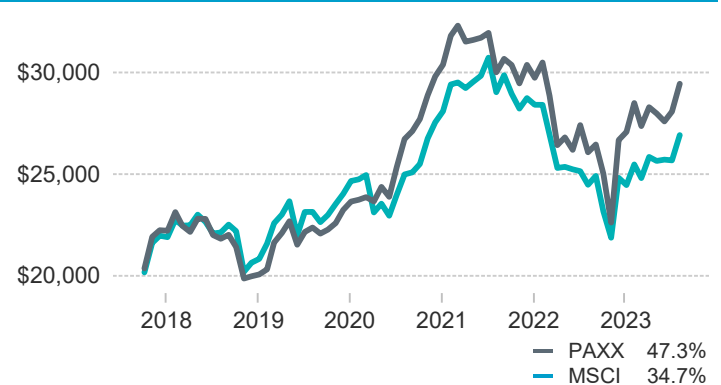
Long - 65 stocks, 1 swap Short - 3 swaps, 2 indices

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 ²



TOP TEN POSITIONS OF PLATINUM ASIA FUND ⁴

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.5
Samsung Electronics Co	South Korea	Info Technology	5.2
Vietnam Ent Investments	Vietnam	Other	5.1
ZTO Express Cayman Inc	China	Industrials	4.8
SK Hynix Inc	South Korea	Info Technology	4.3
Ping An Insurance Group	China	Financials	4.3
InterGlobe Aviation Ltd	India	Industrials	4.1
Tencent Holdings Ltd	China	Comm Services	3.7
China Resources Land Ltd	China	Real Estate	3.5
Midea Group Co Ltd	China	Cons Discretionary	2.9
Total			43.3

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND ³

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	19.2		19.2
Information Technology	16.7	(1.0)	15.7
Industrials	14.9	(0.2)	14.7
Real Estate	12.8		12.8
Financials	10.6		10.6
Consumer Staples	4.0		4.0
Materials	4.5	(0.5)	4.0
Communication Services	3.8		3.8
Health Care	1.5		1.5
Energy	0.1		0.1
Other	5.3	(1.2)	4.0

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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). 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>

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MARKET UPDATE AND COMMENTARY

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

- The Fund returned 4.8% in July and 12.6% over the year.
- The return was driven by strong contributions from consumer discretionary, information technology and industrials.
- We are focused on finding businesses that have strong long-term growth prospects with attractive valuations.

Market Commentary

All eyes were on China's Politburo meeting in July

The Politburo statement from the 24 July meeting acknowledged China's economy was facing new difficulties and challenges, in particular, lacklustre domestic demand and a complex external environment. Members urged the need for proactive fiscal policy and prudent monetary policy (source: Xinhua). Three US cabinet officials visited China during July to calm geopolitical tensions, and President Xi made comments calling for greater international cooperation in terms of trade and investment. The market took this announcement positively, with some economists describing the tone as more dovish than expected (source: Deutsche Bank). Analysts agreed that more stimulus measures seem likely and will be enough to ensure that the government's growth target of "at least 5%" will be achieved (source: FactSet). Chinese stocks recorded their best month since January on rising expectations that stimulus would be forthcoming (source: Bloomberg).

Support for the Chinese property market was the standout

The standout development cited was the change in language on real estate policy, dropping the mantra that "housing is for living, not for speculation". Chinese property stocks rebounded in late July on the news that authorities are looking to ease housing curbs and stimulate private consumption, with officials in top-tier cities including Beijing, Shenzhen and Guangzhou mulling easing home-buying restrictions in these cities to drive a recovery in property markets (source: SCMP). The Fund has about ~7% exposure to Chinese real estate companies.

Platinum is a contrarian investor; our hunting ground is to look for out-of-favour stocks where the market has overreacted to temporary setbacks or structural change. Even world-class companies with strong long-term growth prospects at attractive valuations that happen to be situated in China still seem to be out of favour with investors, and this is therefore an area where we think the best opportunities are to generate alpha for the long term.

Elsewhere in Asia

India continues to be the flavour for the month for investors. We think India is a great story both in terms of demographics and macroeconomic indicators, however, it is a well-known story, and we believe it is already reflected in the price. The BSE500 Index is trading on 20x 12-month forward price-to-earnings (PE), the most expensive market in the G20, and reflects the market's expectations of 21% earnings per share (EPS) growth for the next 12 months. This is compared to China (Shanghai A Share Index), which is trading on 9.5x 12-month forward PE with the market expecting EPS growth of 24% (source: FactSet and Credit Suisse).

Performance Analysis*

The Fund returned 4.8% for the month. Top contributors to July's performance included Vietnamese fund manager Vietnam Enterprise Investments, Chinese insurance company Ping An Insurance and Chinese tech company Alibaba. Detractors included Taiwan Semiconductor Manufacturing and Chinese technology company TI Cloud.

Valuation

The Fund's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 4% 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	7.9% (Price-to-Earnings ratio of 12.6x)	7.6% (Price-to-Earnings ratio of 13.1x)
NTM Dividend Yield	2.6%	3.0%
NTM Enterprise Value-to-Sales	1.5x	1.1x
LTM Price-to-Book Ratio	1.6x	1.6x

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. MSCI data is sourced from Rimes, FactSet and Platinum. As at 31 July 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.**