

# Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX



MONTHLY REPORT 30 September 2023

## FACTS

|                               |                     |
|-------------------------------|---------------------|
| Portfolio value               | \$97.72 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) | \$4.1446            |

## PERFORMANCE<sup>1</sup>

|                               | Fund % | MSCI % |
|-------------------------------|--------|--------|
| 1 month                       | (2.8)  | (2.3)  |
| 3 months                      | (2.1)  | (0.3)  |
| 6 months                      | (2.8)  | (1.0)  |
| Calendar year to date         | 1.6    | 4.6    |
| 1 year                        | 9.9    | 10.5   |
| 2 years (compound pa)         | (4.8)  | (6.0)  |
| 3 years (compound pa)         | (0.3)  | 0.1    |
| 5 years (compound pa)         | 5.1    | 2.9    |
| Since inception (compound pa) | 5.4    | 4.2    |

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

|                          | LONG % | SHORT % | NET % | CCY % |
|--------------------------|--------|---------|-------|-------|
| <b>Asia-Pacific</b>      | 94.1   | (1.0)   | 93.1  | 96.4  |
| China                    | 47.8   |         | 47.8  | 49.4  |
| Hong Kong                | 2.5    |         | 2.5   | 3.4   |
| Taiwan                   | 6.1    |         | 6.1   | 6.1   |
| India                    | 7.5    | (0.3)   | 7.1   | 7.5   |
| Indonesia                | 2.5    |         | 2.5   | 2.5   |
| Philippines              | 2.9    |         | 2.9   | 2.9   |
| Singapore                | 1.2    |         | 1.2   | 1.2   |
| South Korea              | 13.5   | (0.6)   | 12.9  | 12.9  |
| Thailand                 | 1.8    |         | 1.8   | 1.8   |
| Vietnam                  | 7.5    |         | 7.5   | 7.5   |
| Other Asia-Pacific       | 0.9    |         | 0.9   | 1.0   |
| <b>North America</b>     |        |         |       | 3.6   |
| United States of America |        |         |       | 3.6   |
| <b>Sub-Total</b>         | 94.1   | (1.0)   | 93.1  | 100.0 |
| <b>Cash</b>              | 5.9    | 1.0     | 6.9   |       |
| <b>Total</b>             | 100.0  |         | 100.0 | 100.0 |

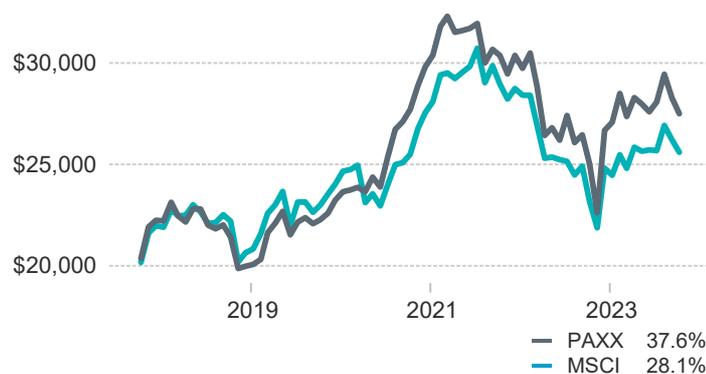
Long - 65 stocks, 1 swap Short - 3 swaps, 1 index

## 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           | %           |
|--------------------------|-------------|--------------------|-------------|
| Taiwan Semiconductor     | Taiwan      | Info Technology    | 5.3         |
| 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        | 4.3         |
| China Resources Land Ltd | China       | Real Estate        | 3.4         |
| Tencent Holdings Ltd     | China       | Comm Services      | 3.2         |
| Midea Group Co Ltd       | China       | Cons Discretionary | 3.0         |
| <b>Total</b>             |             |                    | <b>43.1</b> |

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

| SECTOR                 | LONG % | SHORT % | NET % |
|------------------------|--------|---------|-------|
| Consumer Discretionary | 19.8   |         | 19.8  |
| Information Technology | 16.4   |         | 16.3  |
| Industrials            | 15.1   | (0.2)   | 14.9  |
| Real Estate            | 13.5   |         | 13.5  |
| Financials             | 10.7   |         | 10.7  |
| Consumer Staples       | 4.0    |         | 4.0   |
| Materials              | 4.3    | (0.4)   | 3.9   |
| Communication Services | 3.5    |         | 3.5   |
| Health Care            | 1.6    |         | 1.6   |
| Energy                 | 0.1    |         | 0.1   |
| Other                  | 5.1    | (0.3)   | 4.8   |

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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.

3. 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 -2.8% in September and 9.6% for the 12 months ending 30 September 2023.
- Indian real estate developers were the biggest contributors to performance, delivering strong quarterly numbers.
- We are focused on finding businesses that have strong long-term growth prospects with attractive valuations.

### Market Commentary

**The Chinese economy is not the same as its stock market and the stock market is not the same as the companies we hold.**

Despite the Chinese government announcing stimulus policies for the housing sector (i.e. lower minimum down payments and minimum mortgage rates and the ability to refinance), property sector weakness is widely cited as the key risk factor for China's economic outlook (Factset). The World Bank cut its 2024 growth forecast for China from 4.8% to 4.4%.

Having said that, recent economic data releases have been mostly better than expected – including credit, export activity and the official manufacturing PMI. This is allaying some of the bearish narrative (Factset). The IMF said it saw some signs of stabilisation in the Chinese economy and suggested China can still achieve its growth target of around 5% this year. We would classify the sentiment around the Chinese economy as bearish but there are bright pockets in the economy e.g. parcel delivery, advertising revenue, batteries, electric vehicles etc. The market is still 30-45% below its most recent February 2021 peak (depending on A-shares or H-shares, source: FactSet). We continue to look for world-leading companies with strong long-term growth prospects at attractive valuations, and we are finding a lot of these opportunities in China.

### **Regional travel in focus**

China's Ministry of Culture and Tourism is expecting record levels of domestic travel during China's Golden Week Holiday (29 September to 6 October) and this will be a key gauge of consumer appetite. Domestic tourism has had a dramatic rebound since lockdowns finished, exceeding 2019 levels. However international travel has yet to rebound - outbound travel has only recovered to 60% of pre-COVID levels with rising costs seen as a major factor (source: Trip.com).

Thailand commenced a visa-free entry program for Chinese tourists in late September and the Tourism Authority of Thailand reported a 30% surge in accommodation and flight bookings from Chinese nationals since the policy was announced. It believes the number of Chinese arrivals could hit 5m (source: Time).

The Platinum Asia Fund has a holding in Chinese online travel company Trip.com. It has been a beneficiary of the increase in spend for Chinese domestic travellers (air tickets are up ~30% and hotel room rates are up slightly) and should further benefit as outbound travel recovers. There are still lots of constraints around outbound travel in China, flight capacity has yet to be restored and there's a backlog of passport renewals and visas (source: Morgan Stanley). Visa-free entry programs like that in Thailand should accelerate the recovery in outbound tourism but the real recovery will occur when outbound flight capacity is fully restored. This is currently expected by mid-2024. We expect Trip.com earnings can grow ~15% and it is currently trading on a 1 year forward PE of 14.8x.

### Performance Analysis\*

The Fund returned -2.8% for the month. Top contributors to monthly performance included Indian real estate developer Macrotech Developers, Philippines real estate developer Ayala Land Inc and Chinese diesel engine manufacturer Weichai Power. Detractors included South Korea semiconductor manufacturer SK Hynix, Taiwan Semiconductor and Vietnamese investment company Vietnam Enterprise Investments.

### Valuation

The Fund's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with an ~8% higher earnings yield (see table below). Platinum's contrarian investment process means we are focused 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 have attractive valuations.

| Metric                        | Platinum Asia Fund                      | MSCI AC Asia Ex Japan Index (A\$)       |
|-------------------------------|---|---|
| NTM Earnings Yield            | 9.0% (Price-to-Earnings ratio of 11.1x) | 8.3% (Price-to-Earnings ratio of 12.1x) |
| NTM Dividend Yield            | 3.0%                                    | 3.3%                                    |
| NTM Enterprise Value-to-Sales | 1.4x                                    | 1.4x                                    |
| LTM Price-to-Book Ratio       | 1.3x                                    | 1.4x                                    |

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 30 September 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.**