

MONTHLY REPORT 31 October 2021

## FACTS

Portfolio value	\$439.07 mn
Portfolio commenced	15 September 2015
Current share price	\$1.090
Current dividend yield	9.17%
Pre-tax NTA	\$1.1944
Post-tax NTA	\$1.1577
Maximum franked dividend	11.08 cps
NTA retained earnings & div profit resv.	16.59 cps

## PERFORMANCE<sup>1</sup>

	Company % (Pre-tax NTA)	MSCI %
1 month	(3.0)	(2.5)
3 months	(1.9)	(2.8)
6 months	(6.8)	(4.5)
Calendar year to date	(3.2)	0.5
1 year	2.0	5.5
2 years (compound pa)	14.0	9.5
3 years (compound pa)	13.9	11.8
5 years (compound pa)	12.2	11.1
Since inception (compound pa)	10.2	10.0

PAI's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PAI's returns have not been calculated using PAI's share price.

## INVESTED POSITIONS<sup>3</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	86.2	(0.9)	85.4	89.8
China	45.9		45.9	45.9
Hong Kong	6.7		6.7	10.8
Taiwan	5.5		5.5	5.5
India	10.3	(0.9)	9.5	9.5
Japan				0.2
Macao	1.0		1.0	1.0
Philippines	1.6		1.6	1.6
Singapore	1.0		1.0	1.0
South Korea	9.2		9.2	9.3
Vietnam	5.0		5.0	5.0
<b>Europe</b>				0.5
United Kingdom				0.5
<b>North America</b>				9.7
United States of America				9.7
<b>Sub-Total</b>	86.2	(0.9)	85.4	100.0
<b>Cash</b>	13.8	0.9	14.6	
<b>Total</b>	100.0		100.0	100.0

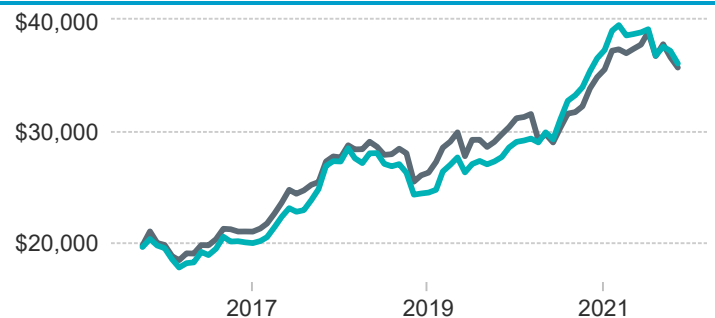
Long - 59 stocks, 1 swap Short - 1 swap, 1 index

## FEES

Management fee:	1.10% p.a. (excl. GST) of portfolio value* plus
Performance fee:	15.00% p.a. (excl. GST) of outperformance over benchmark (MSCI All Country Asia ex Japan Net Index (A\$))

\*The portfolio value is the market value of the investments in the portfolio after the deduction of fees and expenses, adjusted for taxes, corporate actions and dividends.

## PERFORMANCE GRAPH<sup>2</sup>



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## TOP TEN POSITIONS<sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	5.0
Samsung Electronics Co	South Korea	Info Technology	4.2
Tencent Holdings Ltd	China	Comm Services	4.1
Alibaba Group Holding Ltd	China	Cons Discretionary	3.8
Vietnam Ent Investments	Vietnam	Other	3.7
InterGlobe Aviation Ltd	India	Industrials	3.7
ZTO Express Cayman Inc	China	Industrials	3.5
Ping An Insurance Group	China	Financials	3.1
AIA Group Ltd	Hong Kong	Financials	3.1
Weichai Power Co Ltd	China	Industrials	2.9
<b>Total</b>			<b>37.1</b>

## INDUSTRY BREAKDOWN<sup>3</sup>

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	19.3		19.3
Financials	14.8		14.8
Information Technology	14.4	(0.9)	13.5
Industrials	12.0		12.0
Real Estate	9.3		9.3
Materials	4.3		4.3
Communication Services	4.1		4.1
Consumer Staples	2.6		2.6
Health Care	1.7		1.7
Other	3.7		3.7

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1. & 2. Source: Platinum for portfolio returns and Factset Research Systems for MSCI returns. The returns are calculated relative to the MSCI All Country Asia ex-Japan Net Index in A\$. The investment returns in the line graph are cumulative on A\$20,000 invested in PAI since inception. **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 PAI's portfolio value. The "Currency %" is the effective currency exposure of PAI's portfolio as a percentage of its portfolio value, 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 PAI's top ten long securities positions as a percentage of PAI's portfolio value (including long securities and long securities derivative positions).

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## MARKET UPDATE AND COMMENTARY

- Chinese economy weak, but equity markets calm.
- We have bought back into Tencent and Alibaba.
- Samsung's excellent results and sell off are instructive.

Asian markets and the portfolio were negative in October, with all of the region's key markets of China, Taiwan, Korea and India down in Australian dollar terms. Key detractors from the portfolio for the month were largely in China, with our Chinese property and consumer discretionary holdings, such as China Resources Land and Anta Sports, lagging. Samsung Electronics was also weak as investors continue to shun semiconductor stocks for fear of memory prices falling from current high levels. However, we see ongoing capital discipline in a consolidated industry as continuing to make semiconductor companies very attractive holdings. Alibaba, which we have been buying in recent weeks, was our largest positive contributor in October. Our Indian stocks also did well and battery input and chemicals company LG Chem bounced back from a weak month in September to contribute strongly.

### Chinese economy weak, but market reaction muted

Investors have been saturated with stories of crisis in China, but our view is more prosaic – stocks are somewhat weak in the midst of an economic slowdown and reform program in China, but China and non-Japan Asia more broadly continue to present long-term growth potential, attractive valuations and some very fine businesses. For more information please see The Journal section of our website (<https://www.platinum.com.au/Insights-Tools/The-Journal>).

The Chinese economy has clearly slowed and may be in its first technical recession of modern history (Source: Wigram Capital Advisers). However, despite all the calamitous headlines, China's equity markets have shown a muted response, due in our view, to the low valuations and investor neglect already evident in that market. As a reminder – China's equity market was the world's most expensive in 2007 and is now among its cheapest (Source: Credit Suisse). As a result, we think it is understandable that China's equity markets are basically flat for the year and up more than 60% over three years (please see accompanying chart). Further, data released during October show profits of industrial enterprises in September grew 16.3% year-on-year and at a two-year compound annual rate of 13.2% in China (Source: CICC).

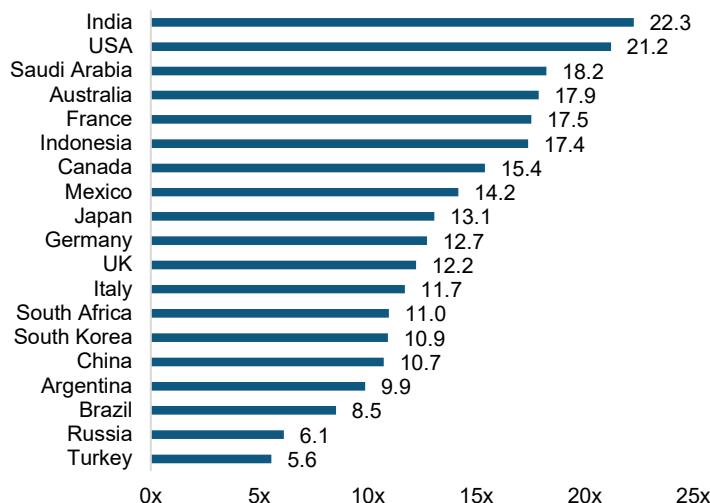
### Buying back into China's tech giants

Ongoing regulatory pressure has seen China's internet giants Tencent and Alibaba sell off heavily in recent months. These were among the portfolio's biggest holdings until late 2020, when we sold due to heavy investor crowding and clear signals of the regulatory risk that was building, as we recorded in our November 2020 Monthly Update. We have used the current sell off to renew sizeable positions in these still-outstanding businesses. Regulatory risk is a fact of life for dominant platform businesses globally – recall the travails of Facebook and Google. This likely robs some of the dynamism and earnings power from such businesses. However, what remains are regulated social utilities, which can still grow earnings solidly, have enormous returns on capital and market power.

### Samsung Electronics reports a strong Q3 and the stock sells off

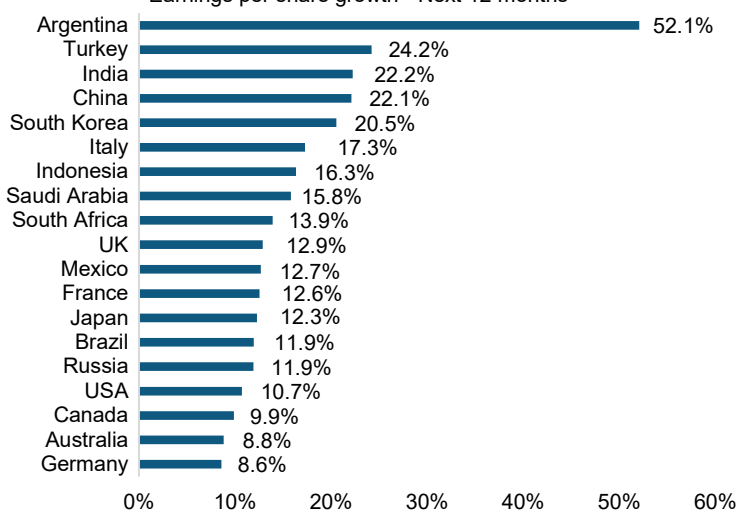
Samsung Electronics reported its third-quarter earnings during October. Its memory business's earnings were up 46% year-on-year and 16% higher than the prior quarter, assisted by growth in volume and increases in average selling price (Source: Company filings). Management noted again that the amplitude of memory cycles is shallower and shorter in duration than in past decades. Capital expenditures remain muted in response to extraordinary pricing – which is central to our thesis that the semiconductor industry has genuinely changed and displays oligopolistic traits. The fact that the stock sold off and was one of our key performance detractors for the month is instructive more broadly. It is an example of equity markets' ongoing, stubborn refusal to price high rates of nominal global growth. We own shares in businesses and we think like owners. We expect to be rewarded for holding high-quality industrial businesses, which can grow earnings, have good balance sheets and market positions. At present, such firms are out of favour with investors, but either markets will price such businesses appropriately, or they will be acquired or reward shareholders with dividends and buybacks.

Major market price-earnings ratios - Next 12 months



Source: Chart 1 – IBES consensus, in local currency. Correct as at 1 November 2021.

Earnings per share growth - Next 12 months



Source: Chart 2 – IBES consensus, in local currency. Correct as at 1 November 2021.

China CSI 300 Index



Source: Chart 3 – FactSet. Data to 4 November 2021.