

Platinum Asia Fund



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Portfolio Manager

Overview

- Asian markets performed solidly over the quarter, with Indian and Taiwanese markets doing particularly well. Chinese shares staged a mini-rally on the basis of new policies designed to support the property market. However they dropped back on lack of policy follow-through.
- Large Chinese companies like Tencent, China Resources Land and China Overseas Land – did well for the Fund. The Fund also benefited from continuing strong performance from Indian companies **Macrotech** (property) and **Interglobe** (travel). Our South Korean semiconductor holdings also rose.
- Asian markets are attractively valued. Concerns over US dollar strength, US rates, the AI outlook and Chinese property are clouding the short-term picture but also suppressing prices and therefore throwing up good buying opportunities.

Performance

compound p.a.⁺, to 30 June 2024

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	2%	5%	-3%	6%	12%
MSCI AC Asia ex Jp Index [^]	5%	13%	-2%	5%	9%

+ Excludes quarterly returns.

* C Class – standard fee option. Inception date: 4 March 2003.

After fees and costs, before tax, and assuming reinvestment of distributions.

[^] Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD.

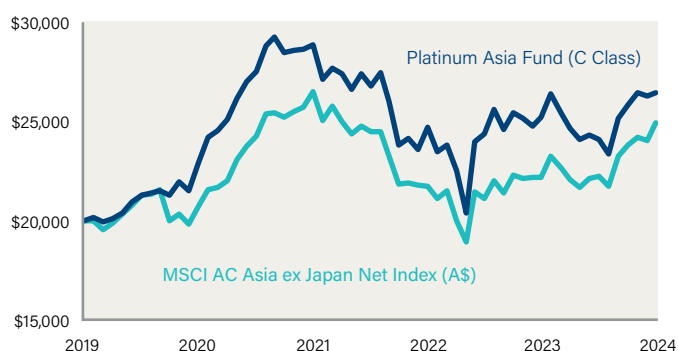
Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 5. Numerical figures have been subject to rounding.

Value of \$20,000 invested over five years

30 June 2019 to 30 June 2024



After fees and costs, before tax, and assuming reinvestment of distributions.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited, FactSet Research Systems.

See notes 1 & 2, page 5.

The Fund rose 2.5% during the quarter.

Many of the themes discussed over the past couple of quarters continue to drive Asian markets. Our large semiconductor holdings **TSMC** (up 25%) and **SK hynix** (up 28%) delivered a strong performance during the quarter, as enthusiasm for AI-exposed companies gripped markets in Taiwan and Korea. Our Indian positions, **Interglobe** (+19%) and **Macrotech** – up around 30% – similarly performed well, reflecting a generally buoyant mood in India following the election.

By contrast, our smaller holdings across South-East Asia, such as **Ayala Land**, **PT Astra International**, **PT MAP Aktif Adiperkasa** (down around 24%), and **Supalai**, generally had a more challenging quarter. Persistent inflation in the US led long-term interest rates up. Higher US rates can be a negative for South-East Asian markets as money flows out of emerging markets into US Treasuries.

In China, our larger holdings, like **Tencent** and property companies **China Resources Land** and **China Overseas Land** performed well. However some smaller investments, like waterproofing company **Beijing Oriental Yuhong**, stage lighting firm **Guangzhou Haoyang Electric** (down 27%) and seed company **Yuan Longping**, saw share price falls.

Commentary – Property patterns in China, India and Indonesia

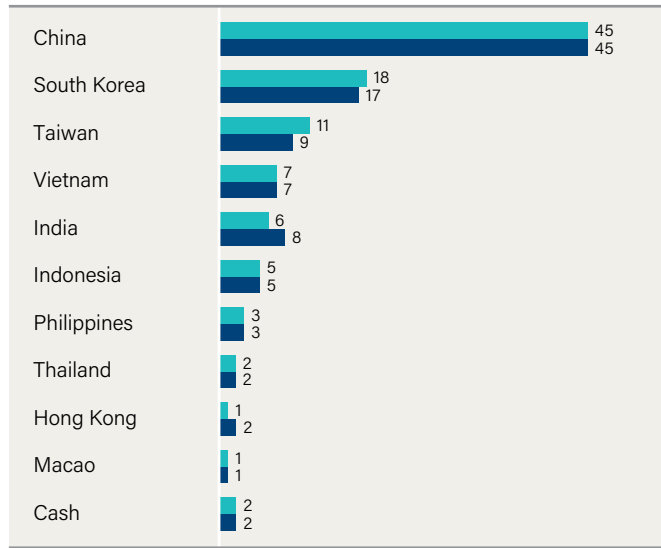
It was an eventful quarter, with Chinese markets roaring into life until late-May, with hopes rising that newly announced policy support measures could be ‘the beginning of the end’ of the property sector’s drag on the economy. Ultimately, the hoped for policy follow-through was a little tepid, leaving unanswered questions about the scale and funding support of the initiatives. Meanwhile, property market activity in China remained relatively weak. As a result the stockmarket retraced early gains.

We took the opportunity to reduce our holdings in truck and diesel engine manufacturer **Weichai Power** and travel website operator **Trip.com** during the Chinese market’s short rally. We also exited our position in **Ping An Bank**.

Despite the housing hangover we continue to find opportunities in the Chinese market. For example, we established a new position in the online video and games company **Bilibili**. The firm started out as a website catering to comic, anime and gaming enthusiasts but has now cemented its position as a general-interest YouTube like asset. This is a platform which boasts over 340m active users each month and enjoys high user engagement, with users typically logging in one out of every three days and spending 105 minutes on the platform each day they log in. The founder’s maniacal focus on user experience is behind this healthy growth in usage and growing engagement means the firm can now monetise its popularity and strengthen its financial position. We had a little bit of luck as well, with one of Bilibili’s newly-launched games gaining strong traction shortly after we bought into the company. Bilibili was once a market darling but has fallen out of favour since its loftily-priced IPO in 2021. However, we think the company has a bright – and potentially very rewarding – future.

During the quarter we saw elections in India and Korea. In India, Modi’s coalition was re-elected with a reduced majority. The market’s immediate response was mild concern that the country’s policy reform momentum may slow. These jitters rapidly subsided and the stock market continued to deliver remarkably robust performance. We have continued to trim Interglobe and Macrotech, our major holdings in that market. While the outlook for India is attractive, the price of assets there is increasingly difficult for us to justify.

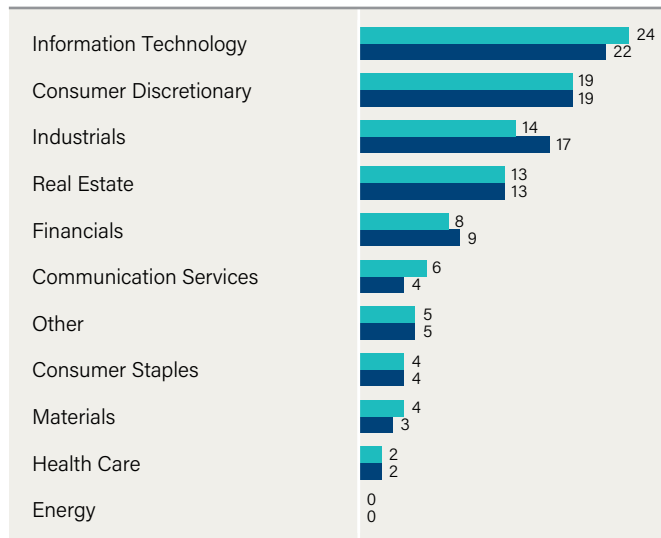
Disposition of Assets %



30 JUN 2024 31 MAR 2024

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



30 JUN 2024 31 MAR 2024

See note 4, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	9.8%
SK hynix Inc	South Korea	Info Technology	7.1%
Samsung Electronics Co Ltd	South Korea	Info Technology	6.2%
Vietnam Enterprise Inv	Vietnam	Other	4.8%
Tencent Holdings Ltd	China	Comm Services	4.4%
ZTO Express Cayman Inc	China	Industrials	4.3%
JD.com Inc	China	Cons Discretionary	3.6%
China Merchants Bank	China	Financials	3.4%
China Resources Land Ltd	China	Real Estate	3.4%
InterGlobe Aviation Ltd	India	Industrials	3.2%

As at 30 June 2024. See note 5, page 5.

Source: Platinum Investment Management Limited.

Macrotech is a well-run property developer with a strong position in the Mumbai market. We initially bought our stake in the IPO at about 10x our estimate of their earnings, and the general sentiment among investors at the time was one of mild disinterest, as the Indian property market had been lacklustre for a number of years. Over the three-plus years since the IPO, Macrotech's share price is up more than 7-fold, and the business is now trading on 60x earnings. While the underlying business has performed well, and expectations are that they will continue to deliver great results, the Fund has largely made money because investors have been willing to ascribe higher and higher valuation multiples to the asset.

By contrast, South-East Asian markets have generally been a little weak, and assets are priced far less aggressively. We took the opportunity to modestly increase our exposure to a few of our holdings in Indonesia during the quarter, including the leading local car and motorbike company, **Astra International**. Another company we added to was **Pakuwon Jati**, an Indonesian property developer. It's instructive to note that we were selling the Indian developer Macrotech (mentioned above) at 60x earnings. Yet we were able to top up our holding in Pakuwon Jati at less than 10x earnings. As with our first purchase of Macrotech, the Indonesian property market has been lackluster for a number of years and is viewed with mild disinterest by investors. However, the fundamentals seem attractive on a medium-term view, with economic growth at the national level flowing through to a steadily growing middle class. There is also increasing awareness that the country simply needs more housing stock.

While Pakuwon's property development arm waits for better days in the local housing market, the company's shopping mall assets provide a steady underpinning to the value of the business, funding business expansion and delivering dividends for shareholders.

Turtle chips in Korea

In Korea, we trimmed our holding in memory maker **SK hynix**. It's a well-positioned company with a strong growth outlook supported by demand from AI-driven end markets. But after a sizable share price rise over the past 18 months, we felt it prudent to start reducing our position size.

Overall, Korea remains an attractive market and during the quarter we initiated a small position in snack food & confectionary company **Orion**. Orion has a strong market share in the local Korean snack food market. You can find their products in supermarkets and convenience stores across Asia. **Costco** stocks them in Australia and the US where Orion's "turtle chips" are a hit.

Orion is a growing business, conservatively financed, with attractive economics and trading at less than 10x earnings so it feels like a bargain. The only question around our investment case was some recent unexpected (not necessarily poor – just unusual) investment decisions the company had made. Having spoken to the company about this issue, we feel that at the current share price they remain an attractive proposition.

Outlook

In the coming months, there are a range of factors investors will be watching closely to determine the path of the region's markets:

- inflation and US rates
- the Chinese property market
- US elections
- the progress of frontier models in the AI space.

There are real challenges in assessing with confidence what will likely happen even across this short list of factors. It is then critical to weigh up the impact each of these various elements will exert on different assets. The next step is to identify areas where *our* view is different to that priced in by markets.

Fortunately, over the medium to longer-term, most of this complexity collapses down to a few basic elements. In Asia there are still plenty of opportunities for companies to grow across a range industries.

Indeed, all the short-term noise can be a blessing in disguise because it drives mispricing and in general assets across the region are relatively attractively priced. As such, our job is finding areas where the competitive, regulatory, and corporate governance environment allow us to earn an attractive return for our investors.

Notes

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A\$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. Country classifications for securities reflect Bloomberg's "country of risk" designations. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
4. The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. 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".
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

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