

Platinum Asia Fund



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Portfolio Manager

Overview

- The Fund had a very strong quarter with our Indonesian stocks doing very well and our Chinese holdings responding positively to the comprehensive stimulus package authorities announced late in the quarter.
- Over recent years Asian markets have been dragged back by Chinese economic weakness and by a high US interest rate environment that makes Emerging Markets comparatively less attractive. As Chinese stimulus kicks in – and US rates fall – both these pressures may ease, allowing the strong fundamentals in many Asian businesses to be rewarded by higher share prices.

Performance

compound p.a.⁺, to 30 September 2024

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	10%	18%	2%	8%	12%
MSCI AC Asia ex Jp Index [^]	6%	20%	2%	6%	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.

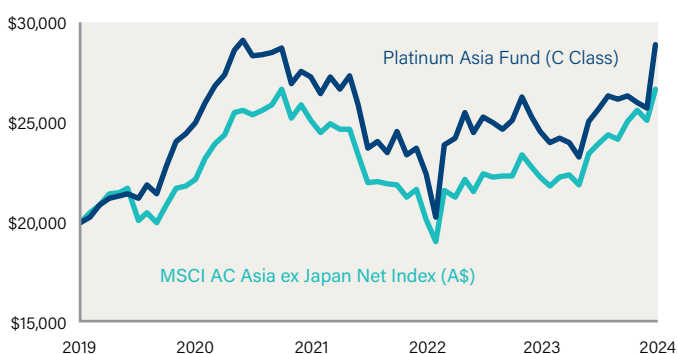
Source: Platinum Investment Management Limited, FactSet Research Systems.

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 September 2019 to 30 September 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 9.9% during the quarter.

This quarter saw market leadership change across the region, with many of our holdings across South East Asia and China leading the way.

Inflation started to recede around the world and we saw interest rates starting to come down in many markets, including in the US. Declining US rates are often associated with strong performance for Emerging Markets and it appears that relationship may prove true once again.

Our larger Indonesian holdings, leading auto & motorbike company **Astra International** (up around 14%), mall operator & property developer **Pakuwon Jati** (up around 40%) and sportswear retailer **Map Aktif** (up around 23%) all performed well.¹ Our Thai holdings, property developer **Supalai**, and generic drug manufacturer **Mega Lifesciences**, as well as the Philippine property developer **Ayala Land** (up nearly 30%), similarly saw their share prices rise.

Meanwhile, our Korean memory semiconductor holdings, **SK Hynix** (-26%) and **Samsung Electronics** (-24%), fell, as investors worried about the risk of a deteriorating supply-demand balance and an inventory glut. These concerns, and Samsung's challenges in their foundry business, also dragged down some of our smaller supply chain holdings like specialty chemicals company **Soulbrain** (-24%) and semiconductor equipment provider **HPSP** (-20%).

The Chinese market started the quarter weak but ended up staging a sharp rally, as the central bank and government announced measures to support markets and the economy. There were widespread gains across our holdings, with internet and e-commerce companies such as **JD.com** (up over 50%), **Alibaba** (up over 47%), and **Bilibili** (up around 50%) doing particularly well. Chinese grocery delivery company **Dingdong** (+70%) also had a good quarter, with results demonstrating the business model can deliver both healthy growth and profitability.

Commentary – The China train picks up speed

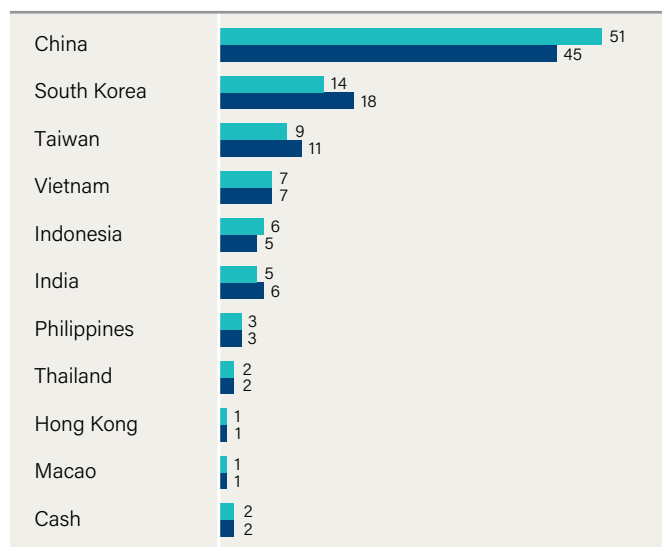
I'm writing this at 300kmh on a high-speed train in Central China, having just finished a week of meetings with current and prospective investee companies. While anecdotal observations should be taken with a grain of salt, sentiment appears a touch better than the last time I was in the country.

Property market woes remain entrenched and the scars of the COVID lockdowns remain raw. However, there is a palpable sense of excitement – or at the very least FOMO (fear-of-missing-out) – among retail investors, following the extensive stimulus announcements in late September and the subsequent market rally. There are reports of over 1.4 million new brokerage accounts being opened and brokers working on public holidays to get through their backlog. I've also had people from quite diverse backgrounds – from nurses to government officials – asking my thoughts on the market rally, whereas in the past if someone asked my occupation my response would have met with blank faces and the conversation then turn to other topics.

In the last week of September there was a swathe of policies and pronouncements from the central bank and government, addressing the weak domestic property and stock market, as well as the health of the broader private sector. These announcements are generally seen as directionally correct, with authorities pumping liquidity into the market and economy and some focus on stimulating demand.

¹ For more on Indonesia's national plan for growth and what it means for investors, see our article: [Indonesia climbs towards a Golden future](#)

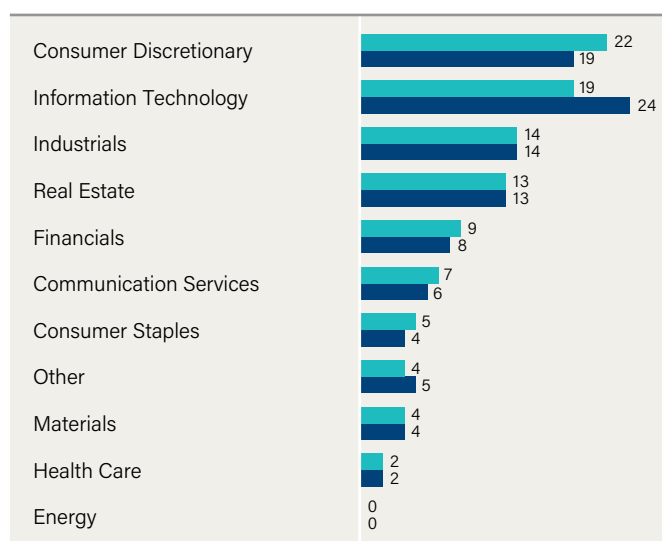
Disposition of Assets %



■ 30 SEP 2024 ■ 30 JUN 2024

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

Net Sector Exposures %



■ 30 SEP 2024 ■ 30 JUN 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	8.4%
JD.com Inc	China	Cons Discretionary	5.4%
SK Hynix Inc	South Korea	Info Technology	5.1%
Tencent Holdings Ltd	China	Comm Services	4.5%
ZTO Express Cayman Inc	China	Industrials	4.4%
Vietnam Enterprise Inv	Vietnam	Other	4.4%
Samsung Electronics Co Ltd	South Korea	Info Technology	4.3%
Ping An Insurance Group	China	Financials	3.8%
China Merchants Bank	China	Financials	3.5%
China Resources Land Ltd	China	Real Estate	3.2%

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

Source: Platinum Investment Management Limited.

While the size of the measures announced to date may need to be stepped up and broadened out, what has captured people's attention is the sense the government is now taking the domestic malaise seriously and has promised to continue acting as needed to get the economy back on track.

The psychological effect of these measures can be as important as their direct economic effects. This is because many issues resolve easily in a positive and growing environment but are more intractable with a weak macro backdrop. So simply shifting sentiment towards the positive can have a self-fulfilling real-life effect. This is certainly something to watch over the coming months.

While we haven't made major changes to our Chinese holdings, there were small adjustments. We re-initiated a modest sized position in **Meitu**, the entrepreneurial company behind a popular photo editing app. In our estimation, the core asset more than underpins the value we paid, allowing us to essentially get the other promising assets within the group for free. Some of these emerging businesses look quite promising, for example a Canva-like software suite targeting small businesses' image creation and editing needs, which has rapidly gained traction in China. We sold out of our stake in the business less than a year ago simply because the share price moved up sharply and we felt it was no longer such a compelling risk-reward proposition. We are pleased to have been able to get back in at a reasonable price, while the business itself has been delivering on our expectations.

We also exited what proved to be an unsuccessful investment in Chinese industrial robotics company **Estun Automation**, as growth was failing to deliver the profitability we had expected. With stubbornly low margins, we felt our capital could be better put to work elsewhere.

Lower US rates, higher Indonesian growth?

Turning to Indonesia, the transition in government to incoming President Prabowo is about to take place. In the lead-up there were concerns he may take a more populist and less fiscally responsible approach to governing. However the incoming government have made consistent efforts to allay those fears.

Political noise like this, and the temporary pressure on the consumer that resulted in part from high interest rates² allowed us to expand our exposure to this market over the past year at what we believe are very attractive valuations.

We now have positions in a range of Indonesian companies, skewed to consumer facing industries such as retail, entertainment, property, paints and automotive. Despite ongoing healthy real-GDP growth in Indonesia, the consumer has had a tough time in recent years, so many of these consumer facing industries were depressed. We feel our portfolio is positioned to benefit from a healthier consumer environment in Indonesia and with US rates coming down the Bank of Indonesia may now have room to run a more domestically focused monetary policy and support the local consumer. The market is waking up to this positive outlook, leading to a healthy performance for many of our stocks during the quarter.

Outlook

As always, the short-term picture has puts and takes, with various factors having the potential to move markets: stimulus in China, global inflation trends, the US election, and many more.

As discussed over the past few quarters however, valuations appear attractive across the region. How attractive? We have seen perfectly good companies trading at significant discounts to the value of the cash they have in the bank – let alone any value being ascribed to their operations. So while stocks have had a short, sharp rally, many assets remain reasonably priced. If the domestic economies improve across Asian markets, leading to more rapid earnings growth, it could be a very attractive backdrop for investors in the region. Whether or not recent moves portend the start of a more favourable market cycle, at a minimum they serve as reminder of how rapidly markets can move on positive news, given the low valuations and the relative lack of investor interest in the region in recent years.

The team continues to actively scour the region for ideas and are finding plenty of interesting investment opportunities to pursue. The Fund remains fully invested.

² A response to the high interest rates in the US rather than local conditions.

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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