Platinum Asia Fund

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Overview

- Our quarterly and financial year performance was boosted by key AI-related holdings, **SK hynix**, **Samsung** and **TSMC**.
- We are firm believers in the long-term economic benefits of AI adoption but we believe this stage of the AI boom – largely driven by supply bottlenecks – warrants some caution. We have been dialling back our exposure to this theme.
- The AI boom has sucked attention and capital away from other attractive investment options across Asia. We took advantage of this trend to increase holdings in stocks like **Jollibee** and **Ayala Land** (Philippines) and China's **Tencent**. We bought into Indonesia's **Bank Central Asia** – one of the highest quality banking franchises in the region – after a share price fall.

Performance

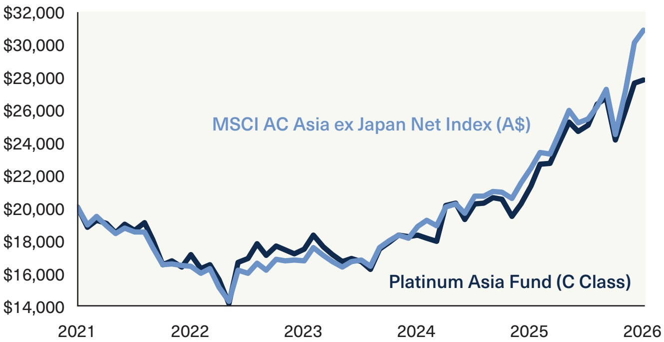
compound p.a.+, to 30 June 2026

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	15%	31%	17%	7%	13%
MSCI AC Asia ex Jp Index^	26%	38%	23%	9%	10%

+ 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 2021 to 30 June 2026



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.

Driven by booming tech hardware ecosystems, the Korean and Taiwanese markets continued their march, with their 1H26 returns +100% and +60%, respectively. By contrast, South-East Asian markets were hit by elevated oil prices.

These trends were echoed in stock performance. Our large holdings exposed to the AI industry – such as **SK hynix** (+197%), **Samsung Electronics** (+76%) and **TSMC** (+35%) – performed well. South-East Asian holdings such as **PT Pakuwon Jati** (-28%), **PT Astra International** (-28%) and **Jollibee Foods** (-25%) detracted from performance.

Many of our Chinese holdings also had a weaker quarter, with soft domestic retail spending and muted consumer confidence weighing on the market. **Alibaba** (-24%), **Bilibili** (-24%) and **Beijing Oriental Yuhong Waterproofing** (-23%) all fell.

Indian shares have been relative underperformers recently but two of our key subcontinental holdings, low-cost airline operator **InterGlobe Aviation** (+28%) and property developer **Lodha Developers** (+41%), had strong quarters, bouncing back from depressed levels in late March.

Domestic currencies across the region were weak. We believe the region's currencies are attractive on a longer-term view and we remain unhedged.

Commentary – a study in contradictions

This is a challenging quarter to summarise because of the contradictions in Asian markets. We delivered a very strong return, 15% for the quarter and 30% over 12 months. This is well above long-term equity market averages. Yet given the positive market backdrop, should we have done even better?

Part of the answer lies in what's driving markets. AI is spurring a massive build-out of industrial capacity. The technology will undoubtedly have huge impacts, unlocking substantial benefits for society – in time. Yet, the speculative activity surrounding AI is growing and hard to ignore. This warrants some caution.

The general investment outlook in Asia is positive, given the number of quality businesses (outside the AI thematic) available at attractive valuations. Yet we can't identify an immediate catalyst to unlock these businesses' latent value. We feel we are being 'paid' sufficiently to wait, yet the macro headwinds that have weighed on these businesses could persist for a little while yet.

So, with those contradictions in mind, let me explain how we are managing your money in this environment.

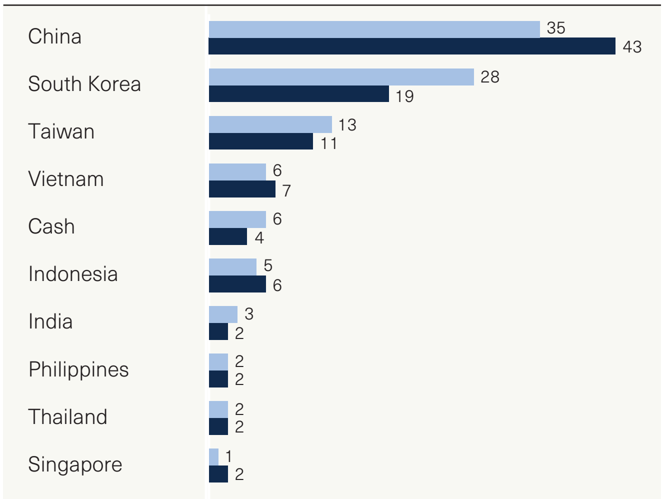
Doing the maths on AI

As mentioned, the technology underpinning the AI boom keeps clearing genuinely impressive hurdles. In May, an AI model working essentially unaided settled the planar unit distance problem first posed by Paul Erdős in 1946. The problem had defeated human mathematicians for eight decades.

A Fields Medalist judged the proof worthy of the discipline's most prestigious journal, the first AI result of that standard.[1] Alongside breakthroughs like this, commercial adoption of AI is growing apace: the big cloud providers' AI businesses are compounding at extraordinary rates and the leading model-makers' revenues are multiplying year on year.

1 The Fields Medal – the 'Nobel Prize of mathematics' is awarded to mathematicians under 40.

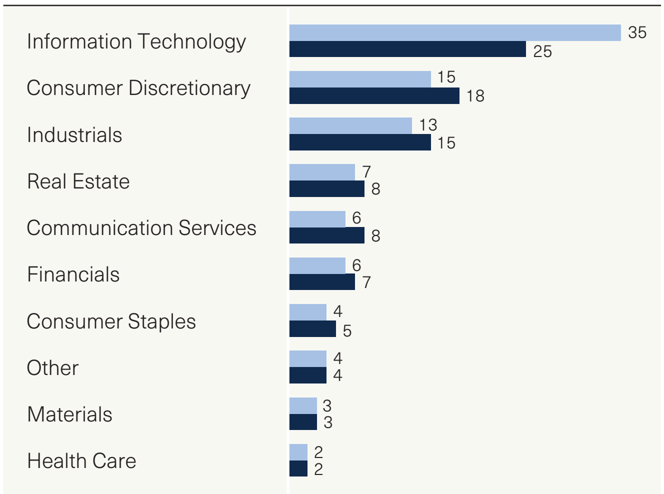
Disposition of Assets %



30 JUN 2026 31 MAR 2026

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

Net Sector Exposures %



30 JUN 2026 31 MAR 2026

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	12.1%
Samsung Electronics Co	South Korea	Info Technology	11.1%
SK hynix Inc	South Korea	Info Technology	9.9%
Tencent Holdings Ltd	China	Comm Services	3.8%
Vietnam Enterprise Inv	Vietnam	Other	3.7%
ZTO Express Cayman Inc	China	Industrials	3.4%
JD.com Inc	China	Cons Discretionary	3.1%
China Resources Land Ltd	China	Real Estate	2.9%
Ping An Insurance Group	China	Financials	2.6%
Midea Group Co Ltd	China	Cons Discretionary	2.2%

As at 30 June 2026. See note 5, page 5.
Source: Platinum Investment Management Limited.

The 'everything shortage'

In an effort to conjure forth the technology and capture a commanding industry lead, datacentres are being thrown together faster than global supply chains can keep pace. Bottlenecks are emerging in memory chips, motherboard materials, optical networking components, capacitors, power equipment and more. Suppliers with capacity are charging exorbitant rates to operators rushing to bring their datacentres online.

Our memory holdings, SK hynix and Samsung Electronics, have been clear beneficiaries of this trend. SK hynix's most recent quarterly results saw revenue grow 60% versus the prior quarter (+198% year on year, with net profit +398%). The uplift was largely driven by price increases. The company now keeps 72 cents in every dollar of sales as operating profit – a stark contrast to the losses they suffered as recently as 2023.

This turn in fortunes has led to a 20-fold increase in the share price over the past three years. As shareholders, we have benefited handsomely from this. Yet current levels of profitability are unusually high and will not be sustained over the long term. While there is much to like about the business, it remains a commodity-like product, one where AI driven demand is outstripping supply. As in any good commodity cycle, while the sun is shining memory manufacturers are making hay.

Follow the finance

Where we start getting a little more cautious is when we look beyond the technology to the finances. The AI build-out was funded by tech companies' cash flows. Now it's increasingly debt funded.

Meanwhile a growing number of people have started treating this thematic as a one-way ticket to riches. In Taiwan, margin loan balances are up 160% and retail investors are rushing to open new brokerage accounts. In Korea, margin debt is hitting records and we're seeing the emergence of leveraged, single-stock ETFs.

Korean and Taiwanese regulators have started to warn about the accumulating risks of this behaviour. The Chinese regulator flagged similar concerns, directing ~120 Chinese A-share listed AI-linked companies to issue stock trading risk warnings. Their warnings included emphasising that some share prices have run up on enthusiasm around products accounting for less than 0.1% of company revenues, or relate to products in "pre-research phase".

This has all led to increased market volatility. For the first half of 2026 the Korean market has seen around 20 one-day moves of greater than 5%, compared to two such days in the whole of 2025. Meanwhile insiders are selling, with Hong Kong IPOs up more than 80% versus last year and concentrated in the Technology sector. This mirrors events in the US, with mega-IPOs like SpaceX epitomising the trend.

None of this speaks directly to the reasonableness of valuations. It merely highlights that sentiment is running hot and that in many people's minds, the biggest risk is the risk of missing out. This backdrop creates a scenario where, if AI-linked companies should falter for some reason, the market adjustment could be a sharp one.

We continue to search for ways to benefit from the AI boom – but do so with a clear eye to both risks and rewards. Where investors impute cyclically elevated earnings into the distant future, we have been selling into this optimism. For SK hynix, we have sold 90% of our stake from three years ago and reinvested that money elsewhere. During the quarter we also continued trimming our positions in Samsung, TSMC and HPSP. So far, this caution has cost us, as AI winners have kept winning. But we are happy to be cautious.

Opportunities in the PI as well as AI

While the world salivates over AI, the rest of the Asian region is suffering from neglect and that's created a fabulous hunting ground. Foreign investors have pulled more than US$100 billion from Asian markets this year, the heaviest six-month withdrawal in 16 years. The Philippine market is now at valuations not seen since the GFC. It's more than a third below its average price-to-earnings and price-to-book value levels. Great businesses have been swept up in this general malaise, so during the quarter we added to holdings in Jollibee and Ayala Land.

Indonesia has been similarly shunned. A confluence of government policy and the Iran war has led to a falling currency, investor caution and market weakness. Late in the quarter, after the announcement of the 60-day ceasefire between the US and Iran, we initiated a small new position in the preeminent privately owned Indonesian commercial bank, Bank Central Asia. This is one of the highest quality banking franchises in the region. It has a large, low-cost deposit base, affording it the ability to earn consistently high returns. We established this position after a sharp sell-off in the stock, acquiring the shares at prices we find very attractive.

We also took the opportunity to modestly top up our holding in Chinese company Tencent. Their core business remains strong, capital allocation outstanding and the valuation attractive. The market sees AI putting Tencent on the back foot but our sense is that their new research and product team is very capable. Their AI products like WorkBuddy and Hy3 are exhibiting good early traction.

Outlook

Overall, the market backdrop is supportive. We remain fully invested, although we have now started identifying more prospects on the short side. The AI boom rolls on, and while risks are growing, end demand remains ferocious and companies are printing money.

Beyond the AI boom, the other two-thirds of the portfolio seems incredibly well set-up, with underlying businesses generally delivering healthy growth and profitability. In short, shareholders are being paid to wait for sentiment to turn. If the Iran ceasefire holds, macro pressures could abate, allowing end markets to strengthen, inflationary cost pressures to fade and sentiment to improve.

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 of the Fund 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. Where applicable, the gross MSCI index was used prior to 31/12/98. 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 Disposition of Assets and Revenue Exposure by Region charts (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. Unless otherwise noted, 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 graph includes cash at bank, cash payables and receivables and cash exposures through long derivative transactions.
4. The graph 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.