

Platinum Investment Bond - APIR Code: LIF7284AU

Platinum Asia Fund



MONTHLY REPORT 31 December 2023

FACTS

Portfolio value	\$2.45 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$0.9073

FEES

Investment management fee	1.05% p.a.
Administration fee	0.30% p.a.
Investing transaction costs	0.30% on contributions

PERFORMANCE

Please refer to <https://www.australianunity.com.au/wealth/platinum> for latest performance information.

INVESTED POSITIONS OF PLATINUM ASIA FUND ¹

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	94.9	(0.6)	94.3	96.6
China	44.3		44.3	44.3
Hong Kong	2.5		2.5	4.4
Taiwan	7.2	(0.3)	6.9	6.9
India	7.1		7.1	7.4
Indonesia	3.2		3.2	3.2
Philippines	3.3		3.3	3.3
Singapore	1.2		1.2	1.2
South Korea	16.4	(0.3)	16.1	16.1
Thailand	1.7		1.7	1.7
Vietnam	7.1		7.1	7.1
Other Asia-Pacific	0.8		0.8	0.9
North America				3.4
United States of America				3.4
Sub-Total	94.9	(0.6)	94.3	100.0
Cash	5.1	0.6	5.7	
Total	100.0		100.0	100.0

Long - 63 stocks, 1 swap Short - 3 swaps

TOP TEN POSITIONS OF PLATINUM ASIA FUND ²

STOCK	COUNTRY	INDUSTRY	%
Taiwan Semiconductor	Taiwan	Info Technology	6.2
Samsung Electronics Co	South Korea	Info Technology	6.2
SK Hynix Inc	South Korea	Info Technology	5.6
Vietnam Ent Investments	Vietnam	Other	5.0
InterGlobe Aviation Ltd	India	Industrials	4.5
ZTO Express Cayman Inc	China	Industrials	4.3
Ayala Land Inc	Philippines	Real Estate	3.2
China Resources Land Ltd	China	Real Estate	3.2
JD.com Inc	China	Cons Discretionary	3.1
Tencent Holdings Ltd	China	Comm Services	2.9
Total			44.3

INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND ¹

SECTOR	LONG %	SHORT %	NET %
Consumer Discretionary	20.7		20.7
Information Technology	19.5	(0.3)	19.2
Industrials	14.7		14.7
Real Estate	13.6		13.6
Financials	8.6		8.6
Materials	4.4	(0.3)	4.0
Consumer Staples	3.7		3.7
Communication Services	3.1		3.1
Health Care	1.6		1.6
Energy	0.1		0.1
Other	5.0		5.0

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1. The "Long %" is PAF's exposure to long securities and long securities/index derivative positions, the "Short %" is PAF's exposure to short securities and short securities/index derivative positions and the "Net %" is the difference between the "Long %" and the "Short %", each as a percentage of the market value of PAF's portfolio. The "Currency %" is the effective currency exposure of PAF's portfolio as a percentage of the market value of its 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".

1. and 2. 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.

2. The "Top ten positions" show PAF's top ten long securities positions as a percentage of the market value of PAF'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 -1.0% in December.
- Stocks in the information technology sector were the largest positive contributors to performance.
- We are focused on finding businesses that have strong long-term growth prospects with attractive valuations.

Market Commentary

The Hang Seng China Enterprises Index finished December 2023 largely flat after it gained ~5% in the final week of the year as bond yields and the US dollar traded lower.

Data indicates that China's economic recovery continues to be mixed. We have seen positive data in e-commerce and associated parcel delivery numbers and in travel spend. Industrial profits jumped nearly 30% in November. China has now overtaken Japan as the world's largest car exporter.

On the negative side, manufacturing activity data points show soft demand for manufactured goods and new bank lending rose less than expected. We note that China did not implement the large stimulus packages that many Western countries enacted. So far, Chinese government stimulus has been specific and targeted at certain industries, mainly the housing sector. Continued soft economic data may increase calls for more policy support which could spur a quicker economic recovery.

In industry-specific news, on 22 December, China unveiled new draft rules to rein in spending and rewards programs for online video games. This sparked fear of another industry crackdown. The National Press and Publication Administration (NPPA) said online games need to set spending limits and ban daily login rewards. This negatively impacted the Fund's holding in Tencent Holdings. However, the following week the NPPA sought to contain the fallout by announcing it would "revise and improve" rules after listening to industry and consumer feedback and announced it had approved 105 online games - the most in 17 months.

South Korea's Kospi index was up ~6% in December as tech stocks gained and inflation came in lower than expected - adding conviction to the market's view that a rate cutting cycle would begin in 2H24. This brought the Kospi's one-year performance to 17.8%. The Platinum Asia Fund had an average exposure of 16.1% to South Korean stocks during December.

Performance Analysis*

Top contributors to monthly performance included South Korean memory chip maker Samsung Electronics, Indian low cost carrier InterGlobe Aviation and Indian real estate developer Macrotech Developers. Detractors included Chinese technology company Tencent Holdings, diesel engine company Weichai Power and parcel delivery company ZTO Express.

Valuation

The Fund's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a ~16% higher earnings yield and ~7% discount to book value (see table below). Platinum's contrarian investment process means we are focused on finding businesses that 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	9.4% (Price to earnings ratio 10.6x)	8.1% (Price to earnings ratio 12.3x)
NTM Dividend Yield	3.1%	3.1%
NTM Enterprise Value-to-Sales	1.3x	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 31 December 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.**