



Platinum  
Investment Bond™  
- Platinum Asia Fund  
Quarterly Investment  
Manager's Report

30 September 2023



# Investment Update

## Platinum Investment Bond - Platinum Asia Fund (PIBPAF)



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### Overview

- Our holding in Indian property developer Macrotech rose off the back of general interest in Indian stocks. Chinese e-commerce company PDD also did well as did our holding in Indonesian sportswear retailer, Map Aktiv.
- The Indonesian economy is large and growing and as Indonesian consumers get wealthier they are seeking out a wider range of experiences. We are investing in this theme through companies like Pakuwon Jati, a high-quality retail mall operator which is growing its footprint across the country and typically develops apartments, hotels and office space alongside its malls. A post-COVID dip means we were able to invest in this company at an attractive valuation. We also took a position in cinema chain operator Nusantara Sejahtera Raya (also called Cinema XXI). Cinema XXI is an industry leader in a segment set for growth.
- On a medium-term view we are finding many stocks across Asia that are attractively priced and offer the potential for healthy returns.

The Platinum Investment Bond ("Bond") is an investment bond issued by Lifeplan Australia Friendly Society Limited ABN 78 087 649 492 AFSL 237989. Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 ("Platinum"), is the responsible entity of the Platinum Asia Fund ("PAF"), an underlying investment option of the Bond. Please refer to page 7 for further disclosures.

The following is the 30 September 2023 Quarterly Investment Manager's Report prepared for PAF by its Portfolio Managers. Please note that in this report, the "Fund" refers to PAF and portfolio details, such as portfolio disposition and top 10 holdings, pertain to PAF's portfolio. Please be aware that PIBPAF and PAF (C Class - standard fee option) have different fee structures and therefore different returns.

## Performance

compound p.a.<sup>+</sup>, to 30 September 2023

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	-2%	10%	-1%	5%	12%
MSCI AC Asia ex Jp Index <sup>^</sup>	0%	10%	0%	3%	9%

+ Excluding quarterly returns.

\* The returns shown are for the Platinum Asia Fund C Class (launched on 4 March 2003). It is one of the investment options available for investors in the Platinum Investment Bond, which was launched on 23 March 2021. Investors in the Platinum Investment Bond will not have experienced the returns prior to 23 March 2021 and the historical data is provided for information purposes only.

<sup>^</sup> 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 7.

The Platinum Investment Bond – Platinum Asia Fund returned -1.4% for the quarter.<sup>1</sup>

### This commentary relates to the underlying fund, the Platinum Asia Fund (PAF).

Within the portfolio, the share price of our Indian property developer **Macrotech** rose off the back of broader enthusiasm about Indian stocks. Chinese e-commerce company **PDD** also saw its share price increase, as investors bid it up after its most recent results showed strong profit growth. The Indonesian sportswear retailer, **Map Aktif** also provided positive contributions to performance during the quarter.

Offsetting these gains however, we incurred losses on Korean battery company **LG Chem**, with rising concerns about the supply-demand balance in the battery and electric vehicle industries. Chinese e-commerce company **JD.com** also saw its share price decline, as did some small cap Chinese holdings including grocery delivery company **Dingdong** and call centre software provider **TI Cloud**.

## Commentary

We have been slowly and steadily increasing our exposure to the Indonesian consumer over the past year or so and added two new holdings this quarter. Indonesia is the 4th most populous country in the world, GDP per capita has more than doubled over the past 15 years, infrastructure has been improving, and the countries' natural resources have been leveraged to develop domestic downstream industries. These factors, coupled with recent changes to labour laws, are likely to boost employment.

Despite this positive backdrop, COVID did take a toll on the economy, with private consumption falling from 57% to 52% of GDP and so consumer spending has been weaker than you might expect. This temporary headwind, coupled with the inevitable uncertainties that comes with an upcoming election, has created an opportunity to find attractive investments exposed to this consumer theme.

One of our new holdings, **Pakuwon Jati**, is a high-quality retail mall operator with their core assets located in Jakarta and Surabaya. They are also expanding their footprint across the country, with recent acquisitions establishing them in Central Java and Bali, while a new development project is giving them a foothold in Batam – a popular destination for Singaporean tourists. Along with their malls, Pakuwon Jati typically develops adjacent apartments, hotels and office space. While their mall and hotel operations are healthy and profitable, having rebounded from the COVID-induced dip of the past couple of years, residential apartment sales across the country have been weak and office space is seeing headwinds from the rise of hybrid work.

This means we've been able to secure a position in this attractive asset at a remarkably reasonable valuation of 11x what is a stable and growing high-quality earnings stream largely underpinned by their mall rental portfolio. As the Indonesian consumer gets wealthier, the rents these malls can charge should correspondingly increase. There will likely be opportunities to optimise and improve upon these assets in a capital-efficient manner.

The earnings from Pakuwon Jati's previously attractive apartment operations remain depressed yet in our view, could bounce back over coming years, providing a healthy tailwind to returns. The company has a large land bank and no debt.<sup>2</sup> Instead it is opportunistically accumulating cash in hopes of deploying it on attractively priced assets expected to come to market shortly. It's also worth noting that the family which controls the business has a long history of treating minority investors well and its corporate governance is considered to be among the best in Indonesia.

The other company recently added to the portfolio that ties into this consumer theme is the domestic cinema chain operator **Nusantara Sejahtera Raya** (more commonly known as Cinema XXI). This company is an anchor tenant in Pakuwon Jati's malls.

Given the still nascent state of economic development across Indonesia, cinema attendance and ticket prices remain well below levels seen across more developed economies. The business has grown at a steady clip for many years as Indonesian consumers have grown wealthier.

<sup>1</sup> References to returns and performance contributions (excluding individual stock returns) in this PIBPAF report are in AUD terms, unless otherwise specified. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

<sup>2</sup> Source: Pakuwon Jati Results Presentation 1H2023.

## Disposition of Assets of PAF %



■ 30 SEP 2023 ■ 30 JUN 2023

See note 2, page 7. Numerical figures have been subject to rounding.  
Source: Platinum Investment Management Limited.

## Top 10 Holdings of PAF

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	5.3%
Samsung Electronics Co Ltd	South Korea	Info Technology	5.2%
Vietnam Enterprise Inv	Vietnam	Other	5.1%
ZTO Express Cayman Inc	China	Industrials	4.8%
SK Hynix Inc	South Korea	Info Technology	4.3%
Ping An Insurance Group Co China		Financials	4.3%
InterGlobe Aviation Ltd	India	Industrials	4.3%
China Resources Land Ltd	China	Real Estate	3.4%
Tencent Holdings Ltd	China	Comm Services	3.2%
Midea Group Co Ltd	China	Cons Discretionary	3.0%

As at 30 September 2023. See note 4, page 7.

Source: Platinum Investment Management Limited.

The cinema industry in Indonesia has some interesting quirks relative to other markets. Viewing windows are short and attendance is consequently high, leading to good asset utilisation. This, coupled with low ticket prices, supports the potential for supplemental income from food and drink sales.

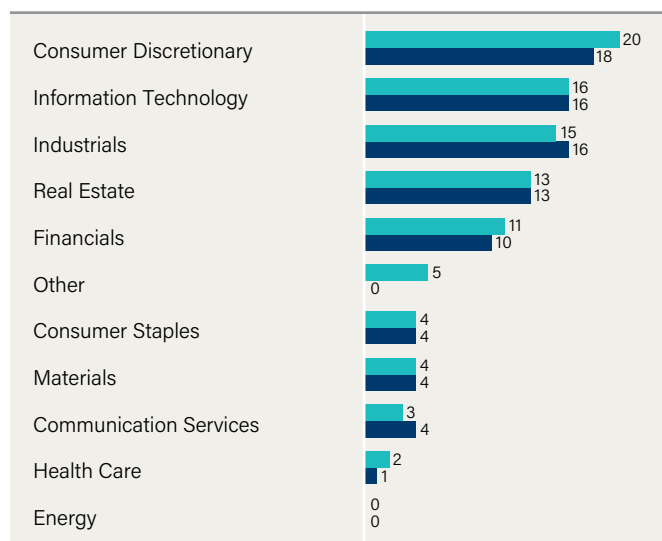
One of the biggest impediments to the roll-out of cinema chains across the country is the availability of high-quality retail space. In short, the country needs more malls and as those malls get built, cinema chains will be rolled out, giving more of the population greater access to this form of entertainment. Cinema XXI is the clear industry leader, known for their high-quality cinema experience.

We participated in the IPO of this business and believe the business is emblematic of the opportunity set presented to investors by the Indonesian consumer and are excited to see how it plays out over the coming years.

Elsewhere across the portfolio, we added to our holding in Chinese e-commerce company JD.com. Having been a beneficiary of strong electronics sales during COVID, they are now facing the subsequent come-down and short-term sales momentum has stalled. We believe that the market is being short-sighted in selling the company off on this issue.

Rather we are drawn to the fact that this is a business with a long history of market share gains and of growth in a fiercely competitive operating environment. They have achieved that remarkable result through a commitment to superior customer experience seen in every element of their business, from product selection, to customer service, right through to hiring the delivery staff that drop off the goods. We believe this differentiation stands them in good stead.

## Net Sector Exposures of PAF %



■ 30 SEP 2023 ■ 30 JUN 2023

See note 3, page 7. Numerical figures have been subject to rounding.  
Source: Platinum Investment Management Limited.

Given where the shares are trading currently, once you account for cash and investments, investors need only pay a single-digit multiple of earnings to acquire a stake. This strikes us as particularly attractive.

In India we reduced our position in property developer Macrotech. This has been a very successful investment since our initial purchase a couple of years ago. The business has performed well and we continue to like the management team, but we feel the shares are increasingly fully valued, hence have reduced our position.

We have been talking about the relatively full valuations ascribed to Indian stocks for a while. We even initiated a short position on the market when a high-profile corporate governance scandal made headlines around the world. We felt that episode would remind people of the risks inherent in this market. As it turns out, investors brushed those scandals aside and continue to pay up for Indian assets. As such, we have largely closed our short position.

## Outlook

China remains a meaningful exposure for us and it is a much-debated market. Sections of that economy have clearly been going through a tough adjustment phase. Counterbalancing that, there has been remarkable strength in certain segments including autos, where booming sales are turning China into a global car manufacturing powerhouse.

Meanwhile, the challenging property market grinds away in the background and there has been a steady series of tweaks to policies and incentives aimed at stabilising and improving the situation in that industry. For example, there were recent changes to down payments and leverage requirements for first and second homes, as well as interest rate policy adjustments. At some point, these combined initiatives will have their desired effect. It's also important to remember we invest in specific Chinese assets – not the Chinese economy. With our portfolio positioned as it is, we feel confident investors will be rewarded for their patience.

While it has been a dry spell for Asian investors lately, it is hard to ignore the value on offer. Even looking beyond the two big markets of India and China, we believe assets are generally priced such that little needs to go right for investors to make quite healthy returns over the medium-term. We've continued to find plenty of opportunities. This quarter we discussed some of our new holdings in Indonesia. South Korea is another market with attractively priced assets and a compelling record of improving investor protections. Similar stories abound across the region.

In our view the outlook for Asia-focused investors is an attractive one.

# Highlights from The Journal

Visit [www.platinum.com.au/Our-Products/Product-By-Type/Platinum-Investment-Bond](http://www.platinum.com.au/Our-Products/Product-By-Type/Platinum-Investment-Bond) to access information about the Platinum Investment Bond - Platinum Asia Fund including:

- Weekly unit prices
- Monthly updates on performance, portfolio positioning and top 10 holdings
- Announcements.

You can find a range of thought-provoking articles and videos on our website in **The Journal** under **Insights & Tools**. You can listen to our Quarterly Report podcast or watch the videos of our brief market updates.

## AUDIO

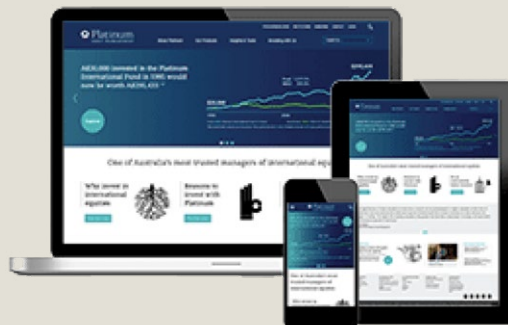
### Macro Overview: A Cautious Approach is Warranted, But Opportunities Still Prevail.<sup>1</sup>

In late September, Platinum CEO and Co-CIO Andrew Clifford sat down with investment analyst Julian McCormack to discuss global markets. Andrew discussed the need for caution in the US, why Japan is now an attractive investment destination and some incredible growth opportunities in China – particularly in the delivery, travel and auto sectors. Meanwhile, while concerns linger about a possible economic recession, we're focusing on attractively valued companies that may have already had their recession.

## VIDEO

### Energy Utilities Leading Disruption in Carbon Transition.<sup>2</sup>

The energy utilities sector is facing enormous challenges over the coming decades as we undertake the carbon transition. Change, fear, and investors' perceptions and valuations of energy utility stocks are all attractive reasons for Platinum to invest in this space. Liam Farlow and Ben Robinson discuss the challenges and opportunities, drilling down into one relatively recent addition to our portfolios, AGL Energy.



## ARTICLE

### How Japan Regained Its Mojo.<sup>3</sup>

The Japanese stock market is booming in 2023. So, what has changed, and more importantly, is this rally sustainable? James Halse explains how Japan has regained its mojo.

## VIDEO

### Finding Opportunities Where Others Fear to Tread.<sup>4</sup>

Buying a company that sells credit data to banks may seem counterintuitive when fears of a recession are high, but that's exactly the sort of company Platinum likes. Clay Smolinski discusses the role of macroeconomics in investing and how times of increased uncertainty can create mispricings and opportunities.

## VIDEO

### Funds in Focus Webinar Series 2.<sup>5</sup>

During the quarter, Platinum held the second series of its 2023 Funds in Focus adviser webinars. This series featured James Halse and Leon Rapp on the Platinum Japan Fund, Andrew Clifford and Kirit Hira on the Platinum Asia Fund, and Andrew Clifford, Clay Smolinski and Nik Dvornak on the Platinum International Fund. The presenters provided key investment insights and updates on their respective fund's portfolio positioning, key stocks and drivers of recent performance.

<sup>1</sup> [www.platinum.com.au/insights-tools/the-journal](http://www.platinum.com.au/insights-tools/the-journal)

<sup>2</sup> [www.platinum.com.au/insights-tools/the-journal/energy-utilities-leading-disruption-in-carbon-transition](http://www.platinum.com.au/insights-tools/the-journal/energy-utilities-leading-disruption-in-carbon-transition)

<sup>3</sup> [www.platinum.com.au/insights-tools/the-journal/how-japan-regained-its-moj](http://www.platinum.com.au/insights-tools/the-journal/how-japan-regained-its-moj)

<sup>4</sup> [www.platinum.com.au/insights-tools/the-journal/video-finding-opportunities-where-others-fear-to-tread](http://www.platinum.com.au/insights-tools/the-journal/video-finding-opportunities-where-others-fear-to-tread)

<sup>5</sup> [www.platinum.com.au/insights-tools/the-journal](http://www.platinum.com.au/insights-tools/the-journal)

**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).

The Platinum Investment Bond ("PIB") is an investment bond issued and administered by Lifeplan Australia Friendly Society Limited ABN 78 087 649 492 AFSL 237989. "PIBPAF" refers to the Platinum Investment Bond - Platinum Asia Fund (APIR code: LIF7284AU), one of the underlying investment options of the Platinum Investment Bond. "PAF" refers to the Platinum Asia Fund (ARSN 104 043 110), the underlying fund into which the PIBPAF invests.

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. The returns shown are for PAF C Class units (launched on 4 March 2003). PAF's returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of C Class Units and represent the combined income and capital returns over the specified period. PAF's 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, PAF'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 PAF's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.
2. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows PAF'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 PAF'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 long derivative transactions.
3. The table shows PAF'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".
4. The table shows PAF'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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