# Platinum Investment Bond - APIR Code: LIF7284AU

## Platinum Asia Fund

MONTHLY REPORT **31 July 2021**

### FACTS

| | |
|---|---|
| Portfolio value | $0.48 mn |
| Option commenced | 23 March 2021 |
| Unit valuation | Adelaide Business Day |
| Net asset value ($ per unit) | $0.9746 |

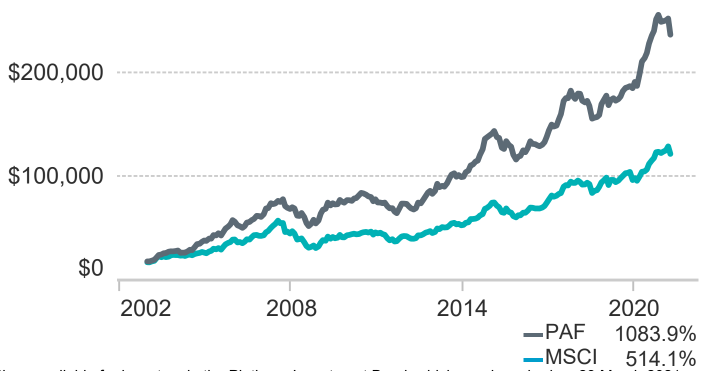
### FEES

| | |
|---|---|
| Investment management fee | 1.05% p.a. |
| Administration fee | 0.30% p.a. |
| Investing transaction costs | 0.40% on contributions |

### PERFORMANCE OF PLATINUM ASIA FUND [1]

| | Fund % | MSCI % |
|---|---|---|
| 1 month | (6.1) | (5.5) |
| 3 months | (5.2) | (1.7) |
| 6 months | (5.9) | (1.3) |
| Calendar year to date | (1.5) | 3.3 |
| 1 year | 12.2 | 16.2 |
| 2 years (compound pa) | 16.0 | 12.0 |
| 3 years (compound pa) | 11.2 | 9.5 |
| 5 years (compound pa) | 13.1 | 12.4 |
| 7 years (compound pa) | 11.3 | 10.6 |
| 10 years (compound pa) | 12.0 | 10.4 |
| Since inception (compound pa) | 14.4 | 10.4 |

### PERFORMANCE GRAPH OF PLATINUM ASIA FUND [2]




The returns shown are for the Platinum Asia Fund C Class (launched on 04 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. **Past performance is not a reliable indicator of future returns.**

### INVESTED POSITIONS OF PLATINUM ASIA FUND [3]

| | LONG % | SHORT % | NET % | CCY % |
|---|---|---|---|---|
| **Asia-Pacific** | 83.7 | (0.2) | 83.4 | 95.1 |
| Australia | | | | 1.2 |
| China | 42.4 | | 42.4 | 42.9 |
| Hong Kong | 7.5 | | 7.5 | 16.9 |
| Taiwan | 5.5 | | 5.5 | 5.6 |
| India | 9.1 | | 9.1 | 9.2 |
| Japan | | (0.2) | (0.2) | 0.2 |
| Macao | 0.8 | | 0.8 | 0.8 |
| Philippines | 1.5 | | 1.5 | 1.5 |
| Singapore | 1.4 | | 1.4 | 1.4 |
| South Korea | 10.0 | | 10.0 | 10.0 |
| Thailand | 0.9 | | 0.9 | 0.9 |
| Vietnam | 4.5 | | 4.5 | 4.5 |
| **Europe** | | | | 0.8 |
| United Kingdom | | | | 0.8 |
| **North America** | | | | 4.1 |
| United States of America | | | | 4.1 |
| **Sub-Total** | 83.7 | (0.2) | 83.4 | 100.0 |
| **Cash** | 16.3 | 0.2 | 16.6 | |
| **Total** | 100.0 | | 100.0 | 100.0 |

Long - 59 stocks, 1 swap Short - 1 swap

### TOP TEN POSITIONS OF PLATINUM ASIA FUND [4]

| STOCK | COUNTRY | INDUSTRY | % |
|---|---|---|---|
| Taiwan Semiconductor | Taiwan | Info Technology | 4.9 |
| Samsung Electronics Co | South Korea | Info Technology | 4.8 |
| AIA Group Ltd | Hong Kong | Financials | 3.5 |
| Vietnam Ent Investments | Vietnam | Other | 3.4 |
| ZTO Express Cayman Inc | China | Industrials | 3.2 |
| Weichai Power Co Ltd | China | Industrials | 3.2 |
| Tencent Holdings Ltd | China | Comm Services | 3.0 |
| Alibaba Group Holding Ltd | China | Cons Discretionary | 3.0 |
| InterGlobe Aviation Ltd | India | Industrials | 2.7 |
| Ping An Insurance Group | China | Financials | 2.7 |
| | | **Total** | 34.5 |

### INDUSTRY BREAKDOWN OF PLATINUM ASIA FUND [3]

| SECTOR | LONG % | SHORT % | NET % |
|---|---|---|---|
| Consumer Discretionary | 18.6 | | 18.6 |
| Information Technology | 14.9 | | 14.9 |
| Financials | 13.5 | | 13.5 |
| Industrials | 12.5 | | 12.5 |
| Real Estate | 9.0 | | 9.0 |
| Materials | 4.3 | (0.2) | 4.1 |
| Communication Services | 3.0 | | 3.0 |
| Consumer Staples | 2.6 | | 2.6 |
| Health Care | 1.7 | | 1.7 |
| Other | 3.4 | | 3.4 |



1. & 2. Source: Platinum for PAF returns and Factset Research Systems for MSCI returns. Investment returns are calculated using PAF's NAV unit price (i.e. exclude a buy/sell spread), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. The returns are calculated relative to the MSCI All Country Asia ex-Japan Net Index in A$. The investment returns depicted in the graph are cumulative on A$20,000 invested in PAF since inception (04 March 2003). **Past performance is not a reliable indicator of future returns.** Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only.

3. 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".

3. and 4. 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.

4. 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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## Platinum Asia Fund

MONTHLY REPORT **31 July 2021**

**MARKET UPDATE AND COMMENTARY**

**This commentary relates to the underlying fund, the Platinum Asia Fund.**

- Chinese economic moderation induces a response.
- China regulatory measures cause consternation.

July was a difficult month for non-Japan Asian equities in general and the Fund. All of the Fund's major detractors for the month were Chinese stocks. Of note, we had built a moderate position in education provider TAL Education, the value of which has been severely impaired by an effective ban on private provision of after-school tutoring services for profit. Similarly, our property development stocks and Tencent were among our larger detractors from performance for the month – all affected by Chinese regulatory announcements. We discuss Chinese reforms below.

Several Indian holdings were strong contributors for the month, demonstrating the market's willingness to look through current COVID-19 travails in that country. Domestic Chinese sporting apparel brands Li Ning and Anta Sports also contributed strongly, as the market embraced the potential of these companies in a China that is more focused on the health of its youth and more willing to embrace local, in addition to foreign, brands.

**Chinese regulatory pushes in context**

For many anglophone observers accustomed to decades of the primacy of markets, Chinese regulatory initiatives may appear heavy-handed in the extreme. This is certainly how we perceive much of the press reporting that we encounter on the topic. We would suggest that readers attempt a mental experiment – substitute European Union (EU) for China in the reporting of anti-pollution, anti-corruption, pro-competition, anti-gaming addiction and other regulations, and then see if the measures reported seem so foreign, so shocking. As a reminder, Margrethe Vestager, the EU Competition Commissioner, has imposed billions of euros in fines against tech companies and has been labelled "big tech's fiercest opponent" (Source: Deutsche Welle).

We take China's regulators seriously. In November 2020, we wrote that we were cutting our holdings in Chinese tech firms amid serious regulatory scrutiny. Unfortunately, we saw a small loss from our view that the better private education providers would still have a business following regulation of the sector. This was a calculated risk around a binary outcome that went against us – far from some indicator that China is "uninvestable".

It is important to impress upon investors that China's regulatory and juridical frameworks, while different to those we are accustomed to in Australia and the West – are both functional and amenable to analysis. We dispute the assertion that China has no rule of law, or that the Chinese state is engaged in a war on everything (Source: Australian Broadcasting Commission). China, as with other markets like Japan, South Korea or Germany, has deeply different commercial and regulatory institutions from those in the anglophone West. This is simply part of the analytical task in assessing risk and reward when investing in any country.

We view the current consternation and selling as an opportunity. For more, see here: https://www.platinum.com.au/Insights-Tools/The-Journal/China-Time-to-Run-or-Time-to-be-Bold.

**China's slowing economy prompts an official response**

China's GDP grew 7.9% versus a year ago in the quarter to June, implying a two-year compound annual growth rate (CAGR) of 5.5% (Source: CICC). China's fixed asset investment rose 12.6% versus a year ago in the first-half of 2021, implying a two-year CAGR of 4.4%; residential property completions grew at 66.5% in June versus June 2020, implying a two-year CAGR of +24.7%; and China produced 33,000 robots in June, up 61% year-on-year and a 56% CAGR from June 2019 (Source: Morgan Stanley). This is clearly an economy that is not collapsing in our view. However, it is slowing, as we have written in previous months. China's official July manufacturing purchasing managers' index (PMI) fell to 50.4 from 50.9 in June, while the non-manufacturing PMI declined to 53.3 from 53.5 (Source: Northern Trust. Readings above 50 indicate expansion). These are the weakest PMI readings of the post-COVID recovery period – further corroboration of an economy operating at a reasonable level but slowing, in our view.

This has prompted a response. The People's Bank of China cut the Reserve Ratio Requirement by 0.5% in mid-July, freeing an estimated one trillion yuan within the banking system for lending (Source: Northern Trust). Further, in the first week of August, the quarterly Politburo meeting hinted at infrastructure spending to support Chinese economic growth in the second-half of 2021 and 2022, funded by local government bond issuance (Source: South China Morning Post). This saw strong positive share price reactions amid civil engineering equipment makers, including portfolio holding Weichai Power. At present, markets are pricing a sharp deterioration in nominal growth globally, in our view. We think nominal growth is likely to be higher for longer than markets anticipate, which creates significant opportunities for investors in rapidly growing Asia.


Source: Chart 1 – IBES consensus, in local currency.
Correct as at 5 August 2021.


Source: Chart 2 – IBES consensus, in local currency.
Correct as at 5 August 2021.

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