



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

31 March 2024



Investment Update

Platinum Investment Bond - Platinum Asia Fund (PIBPAF)



Cameron Robertson
Portfolio Manager

Overview

- Two new themes emerged this quarter. One was the strength in the Korean market, which was to some extent driven by AI, but also received a push from a new corporate governance initiative. The other change was the broad strength of our Chinese holdings. Amongst the banks, **China Merchants Bank** was up over 15% and **Ping An Bank** up 11%. Some Chinese industrial companies also did well, including **Weichai Power** (19%) and battery maker **CATL** (15%).
- One of our major holdings, **Taiwan Semiconductor Manufacturing Corporation**, was up around 30% over the quarter, thanks to its dominant position in the chip-making sector. Whilst **Nvidia** designs the chips powering the AI revolution, they send their designs to **TSMC** for manufacture.
- Given the rich opportunity set in the Asian markets, we now hold low levels of cash. Our holdings typically have healthy balance sheets, reasonable valuations and underlying businesses that are performing well.

Cameron Robertson became sole Portfolio Manager of the Platinum Asia Fund on 18 March 2024. He was previously Co-Portfolio Manager of the Platinum Asia Fund.

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 31 March 2024 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

Please refer to www.australianunity.com.au/wealth/platinum for the latest performance information.

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

The major themes largely continued on from last quarter. AI-related demand continued to be a hot topic across the tech supply chain, particularly driving the Taiwanese market. Our Indian holdings continued to deliver strong returns, although, interestingly, the broader Indian market was not especially strong. The Indonesian market was a touch weak and our holdings in that market were mixed although the sportswear retailer we own, **Map Aktif**, (up 27%) continued its healthy share price run. Chinese property holdings continued to languish.

There are two areas where the market moved differently to prior quarters. One was the Korean market, which was to some extent driven by AI, but also received a push from a new governance initiative. The other change was the broad strength of our Chinese bank holdings over the quarter. **China Merchants Bank** was up over 15% and **Ping An Bank** up 11%. Some Chinese industrial companies also did well, including **Weichai Power** (19%) and battery maker **CATL** (15%).

Commentary – The AI in Taiwan

In February, Sam Altman, the CEO of OpenAI, the company behind popular generative AI models like ChatGPT and Sora, was reportedly speaking to investors about the need for multi-trillion-dollar investments in industrial capacity surrounding the semiconductor industry.

These comments were a reminder of the growing demand in the market and the industry tightness that has emerged around some of these AI applications. One of the firms most directly exposed to this thematic is the US-based graphics chip producer **Nvidia**, whose products are used to handle the computation underpinning many AI products.

A year ago, analysts thought Nvidia would deliver ~\$37bn in sales during the current fiscal year. Yet following the AI advances of the past 12 months, the consensus of sell-side analysts is that Nvidia sales could reach \$110bn! (data from Factset). It is very rare to see such huge changes in the expected performance of such large companies. It underscores both the scale of the AI revolution – and how much it caught people by surprise.

The company Nvidia relies on

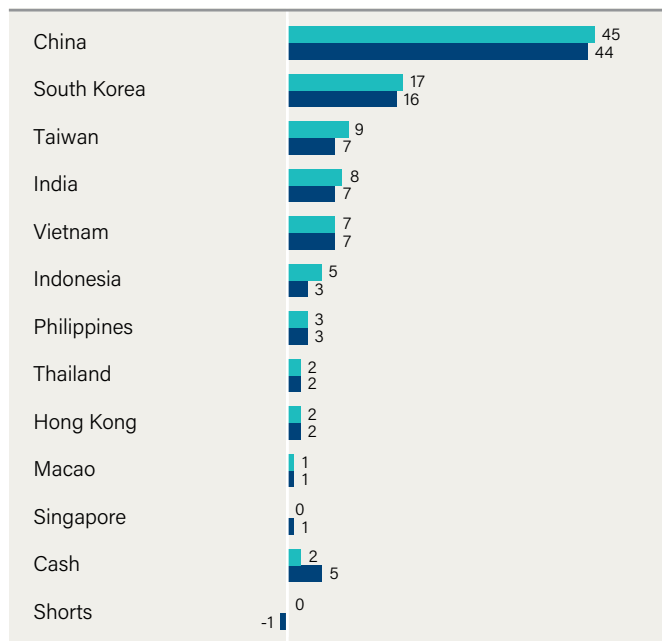
Nvidia designs the chips, and then sends their designs to one of our major portfolio holdings, **Taiwan Semiconductor Manufacturing Corporation** (or TSMC – up around 30% over the quarter), to be manufactured. As part of the manufacturing process, Nvidia's graphics chips get packaged with other components to help make them work. Nvidia's top-of-the-line chips require the latest high bandwidth memory, provided by companies such as Korea's **SK Hynix** and **Samsung Electronics** (both of which we hold), to be packaged alongside their graphics processors.

With the AI industry at a nascent stage, it seems foolhardy to make precise forecasts. Nevertheless, these trends bode well for companies exposed to the theme. We are seeing signs of capacity ramping up to accommodate the surging demand in associated areas, such as advanced semiconductor packaging technologies. Even adjacent products, that may not be directly used in these applications, are being affected. For example, because manufacturing high bandwidth memory chips requires significantly more manufacturing capacity than a standard DRAM chip, we are seeing an industry-wide tightening of supply, with memory prices strengthening even across products not directly linked to AI use cases.

The Fund also contains smaller holdings that have been peripheral beneficiaries of the AI enthusiasm gripping markets. For example, Korean semiconductor equipment manufacturer, **HPSP's** share price rose again this quarter. HPSP's product helps companies like TSMC, Samsung and SK Hynix improve yields in their latest chip manufacturing facilities. On our recent trip to Korea we again met with HPSP to discuss their portfolio expansion efforts, as well as the outlook for their core hydrogen annealing product.

With HPSP's shares having appreciated materially on our entry price 18 months ago and valuation multiples more fully reflecting the company's potential, we have reduced our stake in the business. Yet the prospects for HPSP's business remains promising and the company has been executing well. Their 2023 earnings were more than double 2021 levels. They're up almost 10x from 2019.

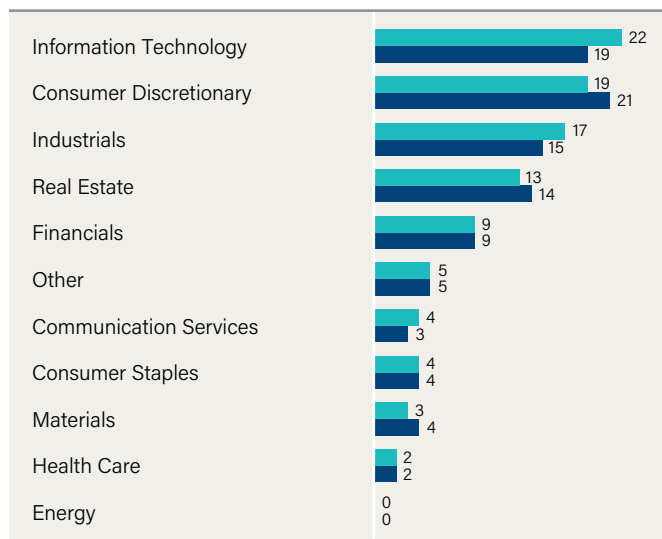
Disposition of Assets of PAF %



31 MAR 2024 31 DEC 2023

See note 1, page 7. Numerical figures have been subject to rounding. Source: Platinum Investment Management Limited.

Net Sector Exposures of PAF %



31 MAR 2024 31 DEC 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 | 8.0% |
| SK Hynix Inc | South Korea | Info Technology | 6.5% |
| Samsung Electronics Co Ltd | South Korea | Info Technology | 6.5% |
| Vietnam Enterprise Inv | Vietnam | Other | 5.1% |
| InterGlobe Aviation Ltd | India | Industrials | 5.0% |
| ZTO Express Cayman Inc | China | Industrials | 4.4% |
| JD.com Inc | China | Cons Discretionary | 3.6% |
| Tencent Holdings Ltd | China | Comm Services | 3.6% |
| Trip.com Group Ltd | China | Cons Discretionary | 3.2% |
| China Resources Land Ltd | China | Real Estate | 3.1% |

As at 31 March 2024. See note 3, page 7. Source: Platinum Investment Management Limited.

The low down on “value-up”

A handful of our holdings have benefited from this AI thematic, but it’s worth remembering we were attracted to these businesses because we believed they were mispriced, and that their strong competitive positions would allow shareholders to benefit as demand inevitably grew.

As such, we would frame the current AI enthusiasm within the broader context of societies’ long-term push towards technological advancement and the associated growth in demand for computation and digitisation. Investors now need to contemplate how durable the current wave of AI-driven demand is likely to be. Will it be a flash in the pan, or is this the start of a new age of technological innovation?

While AI is a fascinating topic, it’s certainly not the only thing going on in the region. During the quarter there were elections in both Taiwan and Indonesia. With the upcoming election in South Korea, the incumbent party has been pushing the “value-up” initiative designed to address the low valuations besetting Korea’s stock market. This follows in the footsteps of a similar successful policy effort in Japan.

A key aspect of the “value up” initiative will be ensuring alignment with the families who control the chaebols (large conglomerates that dominate key industries). Inheritance tax reform that could moderate the tendency for chaebols to keep multiple diverse businesses within the family is likely to be another critical element. That reform – like the progress of the value-up initiative – will have to wait until after the election.

Our portfolio has tended to skew towards companies with better corporate governance, thus, at present at least, we are not hugely exposed to the “value up” trade. Nevertheless, it is an initiative we are watching with interest as greater alignment between controlling and minority shareholders could, in certain cases, lead to substantial value realisation.

China is another market where we feel valuations have been depressed. In some cases they have been fairly marked down, in others, however, we see opportunity.

The domestic Chinese economy has been mixed and the property sector continues to face challenges. Industrial policy remains focused on shifting manufacturing capacity to higher-technology sectors. However, global trading partners are increasingly wary of China’s domestic manufacturing subsidies and anti-dumping investigations are becoming more common.

Yet even with that backdrop, we continue to find interesting new opportunities. One company we initiated a modest position in towards the end of last year is **Guangzhou Haoyang Electronic**. The company is the global leader in stage lighting, manufacturing for both in-house and third-party brands. This founder-owned and run business has carved out a lucrative niche in a fragmented global industry, receiving 90% of revenues from overseas markets.

The business is benefiting from the continued growth of the global entertainment industry. Having struggled to keep up with demand, a sizable capacity expansion has set them up to continue taking market share and delivering profitable growth. We were able to buy a position in this company at a very reasonable low-to-mid teens PE.

Outlook

The portfolio has been primed to deliver healthy performance for a little while now. After a strong quarter, it is tempting to believe this could be the start of a turnaround in sentiment towards the region but it is of course impossible to know what the coming months may hold. Ultimately though, outcomes for investors are driven by the performance of businesses in the Fund. If the underlying companies do well, and corporate governance is good, then shareholders should benefit.

Given the rich opportunity set we are now essentially fully invested. Across the portfolio our holdings typically have healthy balance sheets and valuations strike us as very reasonable. The underlying business performance of our holdings has, by-and-large, been respectable. We believe that, at least over longer time horizons, investors should be rewarded for staying the course.

Highlights from The Journal

Visit www.platinum.com.au/platinum-investment-bonds 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**.



VIDEO

The lure of large numbers¹

Cars, beer, the global semiconductor market. Sometimes it pays to play in really big ponds. In this video our team look at some high-quality businesses doing just that – and at the opportunity that offers investors.

ARTICLE

Fear of Running Out²

After a long period of weakness, demand for uranium is on the up. In this article we look at the forces driving that demand and at some companies likely to benefit.

ARTICLE

Toyota: How the hybrid engine regared the investment case³

How should car companies manage the EV megatrend? Toyota took their own path and it looks like it's paying off for their investors.

ARTICLE

China: Why stay the course?⁴

Since Covid, the Chinese sharemarket has been left behind by other regions – especially the US. Investment Specialist, Olivia Salmon looks at what went wrong in China and at the longer-term outlook for this severely beaten-down market.

1 www.platinum.com.au/the-journal/video-the-lure-of-large-numbers

2 www.platinum.com.au/the-journal/fear-of-running-out

3 www.platinum.com.au/the-journal/toyota-how-the-hybrid-engine-regared-the-investment-case

4 www.platinum.com.au/the-journal/china-why-stay-the-course

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).

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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 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.
2. 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".
3. 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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Level 8, 7 Macquarie Place
Sydney NSW 2000

GPO Box 2724
Sydney NSW 2001

Telephone

1300 726 700 or +61 2 9255 7500
0800 700 726 (New Zealand only)

Facsimile

+61 2 9254 5590

Email

invest@platinum.com.au

Website

www.platinum.com.au/platinum-investment-bonds