

Platinum Asia Fund (Quoted Managed Hedge Fund)

ARSN 620 895 427

**Interim Financial Report
For the half-year ended 31 December 2019**

Platinum Asia Fund (Quoted Managed Hedge Fund)
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31 December 2019

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The interim financial report was authorised for issue on 28 February 2020 by the Directors, who have the power to amend and re-issue the interim financial report.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 30 June 2019. In addition, reference should be made to any public pronouncements made in respect of the registered scheme during the interim reporting period.

The financial report covers Platinum Asia Fund (Quoted Managed Hedge Fund) as an individual entity.

The Responsible Entity of the Platinum Asia Fund (Quoted Managed Hedge Fund) is Platinum Investment Management Limited (ABN 25 063 565 006). The Responsible Entity's registered office is: Level 8, 7 Macquarie Place, Sydney, NSW 2000.

**Platinum Asia Fund (Quoted Managed Hedge Fund)
Responsible Entity Report
31 December 2019**

The Directors of Platinum Investment Management Limited (trading as Platinum Asset Management®) (ABN 25 063 565 006 AFSL 221935), the responsible entity of the Platinum Asia Fund (Quoted Managed Hedge Fund) (“PAXX”, the “registered scheme” or “Fund”), present their report on the registered scheme for the half-year ended 31 December 2019.

Principal Activities

The Platinum Asia Fund (Quoted Managed Hedge Fund) (ASX code: PAX) is an Australian registered managed investment scheme. Its units are quoted on the Australian Securities Exchange (ASX) under the ASX AQUA Rules.

The PAXX is an ASX-quoted version of the unlisted flagship fund Platinum Asia Fund (“PAF”). PAXX is a feeder fund that primarily invests in units of PAF, giving investors access to PAF’s portfolio composition, portfolio manager and investment strategies. The returns of PAXX may vary slightly from the returns of PAF’s performance fee P Class due to different cash holdings and as well as gains and losses on redemptions of PAXX units.

The principal activity of PAXX during the half-year was to invest in units of the PAF and some cash. The underlying fund, or PAF, invests in the securities of companies listed on stock exchanges throughout Asia, in accordance with the Product Disclosure Statement (PDS) and the Constitution.

Directors of the Responsible Entity

The Directors of Platinum Investment Management Limited (“PIML”) during the half-year and up to the date of this report, were:

Andrew Clifford
Elizabeth Norman
Andrew Stannard

There were no significant changes to the state of affairs of the registered scheme during the half-year.

Operating and Financial Review (OFR)

At 31 December 2019, PAXX’s Funds Under Management (“FUM”) was \$153.6 million¹ (30 June 2019: \$159.1 million). The six month return for the period from 1 July 2019 to 31 December 2019 was 6.7%² (1 July 2018 to 31 December 2018: negative 8.8%). The benchmark Morgan Stanley Capital International All Country Asia excluding Japan Net Index (MSCI) in A\$ terms for the same period was 6.6% (1 July 2018 to 31 December 2018: negative 5.6%). The Fund’s annualised return since inception date³ on 12 September 2017 to 31 December 2019 was 7.6% (compound per annum), below the MSCI which delivered 9.6% since inception.

As at 31 December 2019, PAXX’s Net Asset Value per unit was \$4.4955 (30 June 2019: \$4.2118, after the 30 June 2019 distribution).

¹ The reason for the variance between the FUM figure of \$153.6 million and the net assets figure of \$153.3 million reported in the financial statements relates to the fact that net assets were calculated in accordance with the Australian Accounting Standards and are valued using the redemption price as at 31 December 2019.

² PAXX’s returns are calculated using PAXX’s net asset value per unit (which does not include the buy/sell spread) and represent PAXX’s combined income and capital returns over the specified period. Returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions.

³ For the purpose of calculating the “since inception date” returns of the MSCI index, PAXX’s inception date (12 September 2017) is used. Index returns assume the reinvestment of dividends from constituent companies, but do not reflect fees and expenses. Platinum does not invest by reference to the weightings of any index or benchmark, and index returns are provided as a reference only. PAXX’s underlying assets are chosen through Platinum’s bottom-up investment process and, as a result, PAXX’s holdings may vary considerably to the make-up of the index. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility of the underlying assets of PAXX and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

Source: Platinum Investment Management Limited for PAXX’s returns and FactSet Research Systems for MSCI index returns. All data where MSCI is referenced is the property of MSCI Inc. No use or distribution of this data is permitted without the written consent of MSCI Inc. The data is provided “as is” without any warranties by MSCI Inc. MSCI Inc. assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>.

Platinum Asia Fund (Quoted Managed Hedge Fund)
Responsible Entity Report
31 December 2019

In terms of outlook, the Investment Manager has recently noted that:

“In Asia, we have been able to identify a large number of strong businesses with resilient characteristics that are cheap in absolute terms and relative to most other global markets.”

The Investment Manager has also commented with respect to the Coronavirus that: *“Currently, it is hard to estimate the likely duration, scale and impact of the Coronavirus.”*

The Investment Manager is actively monitoring the situation.

Rounding of amounts to the nearest thousand dollars

The registered scheme is of a kind referred to in ASIC Corporations *"Rounding in Financial/Directors' Reports"* Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'.

Amounts in this report have been rounded off in accordance with this Instrument to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is attached on page 4.

This report is made in accordance with a resolution of the Directors.



Andrew Stannard
Director

Sydney
28 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Platinum Asia Fund (Quoted Managed Hedge Fund) for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'CJ Cummins', is written over a light grey horizontal line.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
28 February 2020

Platinum Asia Fund (Quoted Managed Hedge Fund)
Statement of Comprehensive Income
For the half-year ended 31 December 2019

	Note	Half-year ended 31 Dec 19 \$'000	Half-year ended 31 Dec 18 \$'000
Income			
Unrealised gains/(losses) on units held in the Platinum Asia Fund		13,066	(11,545)
Realised (losses) on sale of units held in the Platinum Asia Fund		(3,261)	-
Total income/(loss)		9,805	(11,545)
Expenses			
Operating expenses		-	-
Total expenses		-	-
Net operating profit/(loss)	6	9,805	(11,545)
Other comprehensive income		-	-
Total comprehensive income/(loss)	6	9,805	(11,545)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Platinum Asia Fund (Quoted Managed Hedge Fund)
Statement of Financial Position
As at 31 December 2019

	Note	As at 31 Dec 19 \$'000	30 Jun 19 \$'000
Assets			
Cash and cash equivalents		1	-
Receivables (for units sold in the Platinum Asia Fund)	4	-	699
Distribution receivable from the Platinum Asia Fund		-	8,596
Financial assets at fair value through profit or loss	3	153,254	158,717
Total assets		153,255	168,012
Liabilities			
Cash and cash equivalents		-	(698)
Payables (for units purchased in the Platinum Asia Fund)	5	-	(852)
Distribution payable to investors	8	-	(7,744)
Total liabilities		-	(9,294)
Net assets attributable to unitholders - equity	6	153,255	158,718

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Platinum Asia Fund (Quoted Managed Hedge Fund)
Statement of Changes in Equity
For the half-year ended 31 December 2019

	Note	Half-year ended 31 Dec 19 \$'000	Half-year ended 31 Dec 18 \$'000
Total equity at the beginning of the half-year		158,718	98,493
Net operating profit/(loss) attributable to unitholders	6	9,805	(11,545)
Other comprehensive income for the half-year		-	-
Total comprehensive income/(loss) for the half-year	6	9,805	(11,545)
<i>Transactions with equity holders</i>			
Unitholder applications	6	6,618	54,236
Unitholder redemptions	6	(21,886)	(1,635)
Total equity at the end of the half-year	6	153,255	139,549

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Platinum Asia Fund (Quoted Managed Hedge Fund)
Statement of Cash Flows
For the half-year ended 31 December 2019

	Note	Half-year ended 31 Dec 19 \$'000	Half-year ended 31 Dec 18 \$'000
Cash flows from operating activities			
Payments for the purchase of financial assets		(7,621)	(64,132)
Proceeds from the sale of financial assets		21,886	1,635
Distribution received		8,596	21,551
Interest received		-	-
Net cash inflows from/(used in) operating activities		22,861	(40,946)
Cash flows from financing activities			
Proceeds from units issued		6,769	56,264
Payment of units redeemed		(21,886)	(1,635)
Distribution paid	8	(7,744)	(13,683)
Net cash (used in)/inflows from financing activities		(22,861)	40,946
Net (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the half-year		1	1
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the half-year		1	1

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Platinum Asia Fund (Quoted Managed Hedge Fund)
Notes to the Financial Statements
31 December 2019

Note 1. General information

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 is the responsible entity of the registered scheme. The registered office is Level 8, 7 Macquarie Place, Sydney, NSW 2000.

Note 2. Basis of preparation of the interim financial report

This financial report for the interim reporting period ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

These financial statements for the half-year ended 31 December 2019 do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 30 June 2019 and any public pronouncements made in respect of the registered scheme during the interim reporting period.

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated. Comparative information has been reclassified, where appropriate, to enhance comparability.

New accounting standards and interpretations adopted for the 31 December 2019 reporting period

The following Australian Accounting Standard was effective for the first time for the half-year ended 31 December 2019.

New accounting standards and interpretations

(a) *AASB 16: Leases (effective from 1 January 2019)*

AASB 16 affects primarily the accounting by lessees and results in the recognition of almost all leases on balance sheet. Management has assessed that adoption of this standard has not had any impact on the accounting policies or amounts recognized in the financial statements, as the registered scheme does not hold any leases.

A number of other new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 January 2019 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the registered scheme.

Platinum Asia Fund (Quoted Managed Hedge Fund)
Notes to the Financial Statements
31 December 2019

Note 3. Financial Assets at Fair Value through Profit or Loss

	As at 31 Dec 19 \$'000	30 Jun 19 \$'000
Financial assets		
<i>Designated at fair value through profit or loss</i>		
Units in the Platinum Asia Fund (valued at the redemption price which includes the impact of the any distribution)	153,254	158,717
Total financial assets at fair value through profit or loss	153,254	158,717

Note 4. Receivables

The receivable balance in the Statement of Financial Position is comprised of the application monies received from investors that will settle two days after the application date. At 31 December 2019, the receivable balance was \$nil because there were no trades on the last day trading day of the 2019 calendar year.

Note 5. Payables

The payable balance in the Statement of Financial Position reflects the dollar value of units in the Platinum Asia Fund that are to be purchased. At 31 December 2019, the payable balance was \$nil because there were no trades on the last day trading day of the 2019 calendar year.

Note 6. Net Assets Attributable to Unitholders

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	Half-year ended 31 Dec 19 Units '000	Half-year ended 31 Dec 19 Net Assets \$'000	Half-year ended 31 Dec 18 Units '000	Half-year ended 31 Dec 18 Net Assets \$'000
Opening balance	37,778	158,718	22,370	98,493
Applications	1,555	6,618	12,782	54,236
Redemptions	(5,174)	(21,886)	(407)	(1,635)
Net operating profit/(loss)	-	9,805	-	(11,545)
Closing balance	34,159	153,255	34,745	139,549

Note 7. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the registered scheme to classify its assets held at fair value based on the following fair value hierarchy model:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- b) inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) (level 2); and
- c) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

The registered scheme measures and recognises the units held in the Platinum Asia Fund, as a fair value investment, pursuant to AASB 13, on a recurring basis.

Platinum Asia Fund (Quoted Managed Hedge Fund)
Notes to the Financial Statements
31 December 2019

Note 7. Fair Value Hierarchy (continued)

As can be seen from the table below, the registered scheme has no assets that are classified as level 3. For all other financial assets, the carrying value approximates fair value.

31 December 2019	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Units held in the Platinum Asia Fund	-	153,254	-	153,254
Total of financial assets	-	153,254	-	153,254

30 June 2019	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Units held in the Platinum Asia Fund	-	158,717	-	158,717
Total of financial assets	-	158,717	-	158,717

The registered schemes' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for any assets measured at fair value during the half-year.

Valuation techniques used to classify assets and liabilities as level 2

The units held in the Platinum Asia Fund have been classified as level 2, because these units are valued based on the 31 December 2019 redemption price, which is based on the underlying value of the net assets of Platinum Asia Fund, which includes both observable and unobservable asset and liability balances.

Note 8. Distribution to unitholders

The distribution paid during the half-year was as follows:

	Half-year ended	Half-year ended	Half-year ended	Half-year ended
	31 Dec 19	31 Dec 19	31 Dec 18	31 Dec 18
	\$'000	cents per unit	\$'000	cents per unit
30 June gross distribution paid during the half-year/period	8,750	23.33	21,661	107.96
	8,750	23.33	21,661	107.96

The 30 June 2019 gross distribution payable to investors was \$8,750,000 (2018: \$21,661,000) of which \$7,744,000 (2018: \$13,674,000) was paid out in cash, with the difference of \$1,006,000 (2018: \$7,987,000) being reinvested by investors into additional units.

Note 9. Events Occurring after Balance Date

Since 31 December 2019, the Investment Manager has commented with respect to the coronavirus that *“Currently, it is hard to estimate the likely duration, scale and impact of the coronavirus. Outbreak of epidemics has tended not to materially impact longer term asset values.* The Investment Manager is actively monitoring this situation.

Apart from this, there are no other matters or circumstances that have arisen since 31 December 2019 that have significantly affected, or may significantly affect the registered scheme's operations, the results of those operations, or the registered scheme's state of affairs in future financial years.

Note 10. Contingent Assets, Liabilities and Commitments

The registered scheme has no contingent assets, liabilities or commitments as at 31 December 2019.

Platinum Asia Fund (Quoted Managed Hedge Fund)
Directors' Declaration
31 December 2019

In the opinion of the Directors' of the responsible entity, the financial statements and notes of the Platinum Asia Fund (Quoted Managed Hedge Fund) (*the registered scheme*) as set out on pages 5 to 11:

- (a) are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the registered scheme as at 31 December 2019 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the registered scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Andrew Stannard
Director

Sydney
28 February 2020



Independent auditor's review report to the unitholders of Platinum Asia Fund (Quoted Managed Hedge Fund)

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Platinum Asia Fund (Quoted Managed Hedge Fund) (the Registered Scheme) which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors of the Responsible Entity's declaration.

Directors of the Responsible Entity's responsibility for the half-year financial report

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Registered Scheme's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Platinum Asia Fund (Quoted Managed Hedge Fund), ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Platinum Asia Fund (Quoted Managed Hedge Fund) is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Registered Scheme's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Registered Scheme for the half-year ended 31 December 2019 included on Platinum Asia Fund (Quoted Managed Hedge Fund)'s web site. The Registered Scheme's directors are responsible for the integrity of the Platinum Asia Fund (Quoted Managed Hedge Fund) web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CJ Cummins', written in a cursive style.

CJ Cummins
Partner

Sydney
28 February 2020