

# Platinum Asia Fund



**Joseph Lai**  
Portfolio Manager

## Disposition of Assets

REGION	31 MAR 2017	31 DEC 2016	31 MAR 2016
China (Ex PRC Listed)	33%	26%	31%
China (PRC Listed)	11%	9%	7%
Hong Kong	1%	1%	5%
Taiwan	4%	3%	4%
India	14%	17%	17%
Korea	11%	9%	9%
Thailand	6%	7%	7%
Philippines	4%	4%	4%
Vietnam	3%	3%	3%
Singapore	2%	2%	3%
Malaysia	1%	1%	0%
Cash	10%	18%	10%

Source: Platinum. Refer to note 3, page 3.

## Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Tencent Holdings Ltd	China Ex PRC	IT	3.2%
Alibaba Group	China Ex PRC	IT	3.2%
Kasikornbank PCL	Thailand	Financials	3.2%
Ayala Corp	Philippines	Financials	3.0%
Jiangsu Yanghe Brewery	China	Consumer Stap	3.0%
Ping An Insurance Group	China	Financials	3.0%
Axis Bank Ltd	India	Financials	2.5%
Jardine Matheson Holdings	Singapore	Industrials	2.5%
Samsung Electronics	Korea	IT	2.5%
Baidu.com	China Ex PRC	IT	2.5%

As at 31 March 2017. Source: Platinum. Refer to note 4, page 3.

## Performance

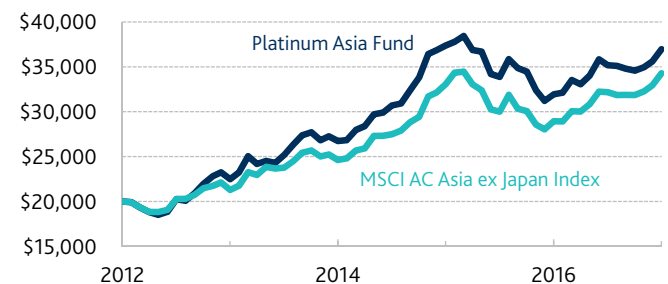
(compound pa, to 31 March 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	7%	16%	11%	13%	15%
MSCI AC Asia ex Jp Index	8%	18%	12%	11%	10%

Source: Platinum and MSCI Inc. Refer to note 1, page 3.

## Value of \$20,000 Invested Over Five Years

31 March 2012 to 31 March 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 3.

Download a copy of the full Platinum Trust March 2017 Quarterly Report to read the macro overview and general market commentary written by Andrew Clifford, CIO. Members of our investment team recently undertook a series of company visits on separate trips to China and Japan. You may also find in the full Platinum Trust report Andrew Clifford's detailed account of his observations on the ground in China and Scott Gilchrist's colourful note reflecting on his trip with Kerr Neilson to Japan, meeting with 34 companies over seven days.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit <https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds>.

## Performance

The MSCI AC Asia ex Japan Index was up by 10% in local currency over the quarter, however, the strong Australian dollar movement detracted from returns.

Performance was generally encouraging across the region, particularly in India and China. The Indian market, having recovered from the “demonetisation” sell-off as we had expected, was up 12% (in local currency). Demonetisation was essentially an exercise by the Indian government to swap old currencies for new tender. As the bulk of the new currencies are now in circulation, economic activity quickly recovered. We took advantage of the sell-off to add to stocks that were negatively impacted, and they rebounded significantly over the quarter.

The Hang Seng Index (of Chinese companies listed in Hong Kong) rose 10% (in local currency) over the quarter, as the Chinese economy continued to gather pace, benefiting construction and consumption-related stocks.

ASEAN markets also rose higher, as optimism grew in these export-oriented countries on the back of improving economic activity in China and the US, though somewhat offset by the prospect of US interest rate rises.

As expected, the Fund’s Chinese stocks were contributors to performance, including **BBMG** (a dominant cement producer in northern China) +20%, **58.com** (online classifieds) +26%, **ENN Energy** (natural gas utility) +36%, and **Jiangsu Yanghe Brewery** +24%. Elsewhere, our Indian banking exposure also contributed to performance, with **Yes Bank** up another 27%, bringing its annual return to 69%. Key detractors were our energy exposures (CNOOC and Green Dragon Gas).

## Changes to the Portfolio

We sold out of positions that have reached our estimation of fair value, such as **Yes Bank**, **HDIL** (Indian real estate developer) and **UPL** (Indian fertilizer company). Funds raised were deployed into more prospective ideas.

We started positions in **Hon Hai Precision Industry** (also known as Foxconn), the largest and the lowest-cost manufacturing contractor for popular electronic products like the iPhone. Hon Hai supplies key components, and its increasingly efficient and sophisticated processing technologies are boosting its negotiation position vis-à-vis its clients. The company’s cost position continues to improve with the application of its in-house made robots, which anecdotally have drastically reduced the use of manual labour and improved product quality. These two trends in Hon Hai’s operations as well as its prospective growth trajectory appear under-appreciated by the market, with the stock trading on 11x 2017 earnings.

Another new addition to the Fund was **Midea Group**, one of the top manufacturers of household appliances in China. After years of consolidation, China’s home appliance industry is now dominated by only three key players, with one in every three air-conditioners or fridges sold made by one of them. This has allowed these companies to gain pricing power, and product prices have been rising over the last few years while raw material prices fell!

Midea has recently branched out into robotics with the acquisition of a top-tier German robotics company called Kuka. Kuka is a dominant supplier of car manufacturing robots to the likes of Volkswagen, BMW and Mercedes Benz, while also expanding into general industrial robots for other areas such as the manufacturing of electrical appliances. Midea has invested billions of dollars to upgrade its manufacturing processes with automation and robotics over the last few years. It is worth observing that improving product quality was as important a reason for this investment as cost reduction. The underlying change reflected here is that Chinese consumers are demanding better quality products and the future of the Chinese factory is one that may run 24x7 in the dark, lined by robots! On 12x P/E, with the robotics optionality being largely an added bonus, valuation is tantalising indeed.

The Fund has maintained a 13% AUD exposure.

## Outlook

China and India are undergoing structural reform to better their longer-term outcomes, and their longer-term prospects remain bright.

In India, with the banking system having been through a clean-up and better institutions (particularly around bankruptcy laws) having been put in, and with progress taking place in the power sector, the country indeed appears to be on the cusp of a long-awaited capex cycle which will accelerate growth nationwide. However, given the enthusiasm with which the market has already embraced the Indian market, improvement in economic activity first has to catch up with the market’s optimism.

China is showing very few signs of retreating from its reform agenda. The government continues to force closure of excess production capacity in heavy manufacturing industries, which has led to a significant rebound in commodity prices. While another major fiscal stimulus is unlikely, given the improvement in construction activity and private sector capital expenditure, one can expect a continuation of infrastructure projects which this country of immense population and geographic reach still needs. Against the backdrop of the ongoing rebalancing of China’s economy, we have kept the Fund’s China exposure to the sectors and companies with lower risks and more favourable growth prospects.

## Notes

- The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. 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 in the Funds' underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

The inception dates for each Fund are as follows:

- Platinum International Fund: 30 April 1995
- Platinum Unhedged Fund: 31 January 2005
- Platinum Asia Fund: 4 March 2003
- Platinum European Fund: 30 June 1998
- Platinum Japan Fund: 30 June 1998
- Platinum International Brands Fund: 18 May 2000
- Platinum International Health Care Fund: 10 November 2003
- Platinum International Technology Fund: 18 May 2000

(NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

- The investment returns depicted in this graph are cumulative on A\$20,000 invested in the relevant Fund over the specified five year period relative to the relevant benchmark index as follows (the "Index"):
  - Platinum International Fund – MSCI All Country World Net Index (\$A)
  - Platinum Unhedged Fund – MSCI All Country World Net Index (\$A)
  - Platinum Asia Fund – MSCI All Country Asia ex Japan Net Index (\$A)
  - Platinum European Fund – MSCI All Country Europe Net Index (\$A)
  - Platinum Japan Fund – MSCI Japan Net Index (\$A)
  - Platinum International Brands Fund – MSCI All Country World Net Index (\$A)
  - Platinum International Health Care Fund – MSCI All Country World Health Care Net Index (\$A)
  - Platinum International Technology Fund – MSCI All Country World Information Technology Net Index (\$A)

(NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. Platinum does not invest by reference to the weighting of the Index. Underlying assets are chosen through Platinum's individual stock selection process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index. The Index is provided as a reference only.

- Geographic exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all of the Fund's physical holdings, long derivatives (stock and index), and fixed income securities as a percentage of the Fund's net asset value.
- The table shows the Fund's top ten long stock positions as a percentage of the Fund's net asset value. Long derivative exposures are included. However, short derivative exposures, if any, are not.

- Sector breakdown represents the Fund's net exposure of any and all physical holdings and long and short derivatives (stock and index) as a percentage of the Fund's net asset value.
- The table shows the Fund's net currency exposures as a percentage of the Fund's net asset value, taking into account any currency hedging.

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