Platinum Asia Fund

Joseph Lai
Portfolio Manager

Performance

(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund	7%	20%	12%	16%	15%
MSCI AC Asia ex Jp Index	8%	23%	13%	14%	10%

Source: Platinum and MSCI Inc. Refer to note 1, page 4.

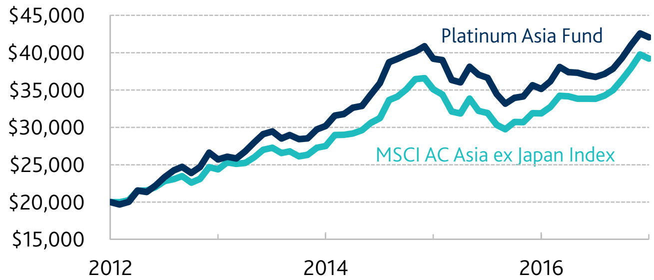
Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
China (Ex PRC Listed)	35%	33%	25%
China (PRC Listed)	8%	11%	7%
Hong Kong	1%	1%	3%
Taiwan	4%	4%	4%
India	14%	14%	20%
Korea	10%	11%	10%
Thailand	6%	6%	6%
Philippines	4%	4%	5%
Vietnam	3%	3%	3%
Singapore	2%	2%	3%
Malaysia	1%	1%	0%
Cash	12%	10%	14%

Source: Platinum. Refer to note 3, page 4.

Value of $20,000 Invested Over Five Years

30 June 2012 to 30 June 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 4.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Alibaba Group	China Ex PRC	IT	3.8%
Ayala Corp	Philippines	Financials	3.5%
Kasikornbank PCL	Thailand	Financials	3.2%
Axis Bank Ltd	India	Financials	3.0%
Jiangsu Yanghe Brewery	China	Consumer Stap	2.9%
Samsung Electronics	Korea	IT	2.9%
Midea Group	China	Consumer Disc	2.7%
Tencent Holdings Ltd	China Ex PRC	IT	2.5%
Sina Corp	China Ex PRC	IT	2.4%
Vietnam Dairy	Vietnam	Consumer Stap	2.2%

As at 30 June 2017. Source: Platinum. Refer to note 4, page 4.

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 8.7% over the quarter in local currency terms, or 7.7% in Australian dollars. The Fund returned 7.1% over this period. Over the past 12 months, the Fund appreciated 19.7%.

Performance was generally positive across the region, with Korea being particularly buoyant as its market recovered from recent uncertainties surrounding both domestic politics and regional geopolitics. The MSCI Korea Index was up 12.8% for the quarter in local currency, led by strong-performing stocks such as Samsung Electronics.

The Philippines market rose 7.7% (in local currency). Last year, President Duterte issued some controversial policies that deterred multinational businesses from continuing to outsource their call centres and various middle-office functions to the country. After a brief lull, outsourcing by multinationals is returning, as witnessed on our recent field trip, with many taking up entire buildings to support their global operations.

Business process outsourcing (BPO) is the official name given to this sector. The cost advantage of an educated and English-literate workforce earning an average monthly salary of A$800 proves attractive. The impact of BPO on the bottom lines of foreign businesses is great, but its impact on the Philippines is even greater.

With some 200,000 Filipinos joining the BPO sector every year, the country is seeing a rapid expansion of a young working class that earns superior wages to its traditional white collar workers, significantly lifting demand for consumer goods and residential property. Snack food companies are seeing a need to upgrade their product offering, while real estate developers are experiencing robust demand across residential, commercial and retail properties. The Filipino property companies in the Fund's portfolio stand to benefit from this trend of rising income and growing consumption.

The MSCI China H-Share Index (up 2.8% in local currency) held its gains from the last quarter as economic activity remained strong, and the Chinese government is using this window to tackle longer-term problems. After months of buyer enthusiasm, the property market in major Chinese cities is now under-supplied and conditions are supportive of construction and other economic activity. On the supply side, closure of idle factory plants and heavy polluters is reducing excess capacity, helping commodity prices (steel, coal, cement, etc.) to firm up. This will improve producers' profitability and reduce the risk of loan default, in turn improving the health of the banking system.

The Chinese authorities are also taking steps to clean up the shadow banking sector (the so-called wealth management products), often cited as a source of financial risk for the country. While this is certainly a positive move for the long-term, stricter regulations, together with a mild tightening of financing conditions, can lead to a marginal slow-down in the economy and have indeed led to some volatility in the Chinese domestic A-share market.

The good news is that the A-share market seems to have already adjusted and, moreover, at the end of the quarter news came that A-shares were officially accepted into the MSCI Emerging Markets Index. Inclusion of companies on other exchanges by the MSCI has tended to lead to out-sized returns, and initial market reaction in the A-share market is hinting at a similar outcome. Interestingly, we are seeing a shift in the kinds of companies favoured by the market. Those with strong fundamentals and attractive valuations, some of which feature in the Fund's portfolio, received a boost, while the expensive, high-growth stocks previously favoured by domestic Chinese investors were left behind.

With rising income and an ever-improving social safety net, Chinese consumers are upgrading their consumption pattern, benefiting the e-commerce stocks and premium domestic brands held in the Fund's portfolio. Product quality has become a vital attribute in consumer products. The apparent insatiable demand for health supplements, baby formula milk powder, luxury goods, high-end cars and overseas travel is reflective.

Rising labour costs and stronger demand for quality also mean that China's growth is increasingly driven by technological innovation that can deliver quality at an affordable price. The fact is that China has already achieved global standards of excellence in a number of technology industries – telecommunication equipment, high-speed rail, auto manufacturing, etc. Robotics and automation are one of the key secular themes within the Fund, and the sector showed particular strength during the quarter.

The Fund's Chinese Internet holdings continued to be key contributors to performance. Sina Corp (social media platform) was up 28% (here we have to add 7% more for its distribution of Weibo shares), Alibaba and JD.com (e-commerce) were up 31% and 26% respectively, and Tencent was up 25%. Midea (whitegoods and robotics) and ZTE (telco equipment) were up more than 30% each, while Hon Hai Precision (assembler of the iPhone and both a maker and a user of robotics) was up 28%.

Elsewhere, the Indian market was up 2.4% for the quarter (in local currency) as the economy continued to recover from the demonetisation shock and the government carried on with its reform programs. A big part of the Fund's Indian exposure is to the private sector banks that have strong positions in Indian cities, banks that have found their way out of bad debt problems over the last four years and have come out stronger. Attractively priced, we believe they are primed to make strong returns when loan demand recovers. What makes this sector particularly appealing is that sensible interest rate policy has dampened inflation rate to close to 2%, which is extremely low by Indian standards, paving the way for eventual interest rate cuts.

Changes to the Portfolio

The Fund took advantage of share price weakness and deployed some cash into the longer term prospective ideas.

We started a position in **ZTE**, one of China's leading manufacturers of telecommunication equipment. The Chinese telecom giants are well-endowed with the know-how to build the next generation 5G technologies, and they have the money to build a gold-plated network in the next few years, likely before most other global players. This will likely help ZTE achieve cost and technological leadership globally in the years ahead. With the stock trading on 14 times 2017 earnings, its prospects appear to be under-appreciated by the market.

We also initiated positions in **BAIC Motor** and **Geely Auto**. BAIC Motor is a Chinese auto joint venture partner for global brands like Mercedes and Hyundai. Mercedes' China sales is skyrocketing by 40% a year, thanks to locals' desire for quality and prestige. Recent political tension between China and South Korea led to an opportunity to buy this stock at a tantalisingly attractive price. Geely Auto is a Chinese domestic carmaker that is evidently reaching global standards, having acquired Volvo in 2010. Chinese consumers are voting with their feet, leading to sales growing by 50% from a year ago. Geely is set to launch a mid-end brand globally at the end of this year, which promises high quality at a reasonable price. Trading on a P/E of 16 times 2017 earnings, this Chinese auto champion looks promising.

The Fund has reduced its exposure to the Australian dollar to a negligible level.

Outlook

Strong economic activity in China and the de-risking of the financial system are both positives for the Chinese market. Over the longer term, one may expect to see the entrepreneurial private companies in a broad range of industries swiftly climb up the technological ladder. The level of concern over China has subsided, but the market is still far from enthusiastic, hence offering up buying opportunities.

Given the enthusiasm that has been surrounding the Indian market, improvement in economic activity is yet to catch up to the optimistic expectations of the market. The possibility of an interest rate cut is interesting, as it can potentially ignite a long-awaited capex cycle. The Fund's exposure largely relates to areas that are sensitive to interest rate cuts and are less "hyped" than other parts of the market.

Despite the recent run, markets in the Asian region continue to present us with new opportunities.

Notes

1. 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 Funds' inception dates 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.)

2. 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.

3. Geographic exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all of the Fund's exposure to company securities and long derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).

4. The table shows the Fund's top ten long stock positions (including any company securities and long derivatives) as a percentage of the Fund's net asset value (before annual cash distribution).

5. Sector breakdown represents the Fund's net exposure to any and all company securities and both long and short derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).

6. The table shows the Fund's net currency exposures as a percentage of the Fund's net asset value (before annual cash distribution), taking into account any currency hedging.

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