

Facts

Portfolio value	\$274.62 mn
Portfolio inception	16 September 2015
Current share price	\$0.885
Current option price	\$0.016
Pre-tax NAV	\$0.9338
Post-tax NAV*	\$0.9338

*liquidation basis

Performance¹ (Pre tax, after base fees)

	PAI %	MSCI %
1 month	(1.45)	(0.11)
3 months	3.92	3.72
6 months	(3.14)	(0.16)
Since Inception	(4.51)	(0.16)

Fees

Management fee:	1.1% p.a. of the portfolio value
Performance fee:	Payable at 15% of the amount by which the portfolio's annual performance exceeds the return achieved by the MSCI All Country Asia ex Japan Net Index

Performance graph²

Not sufficient data

Top ten positions⁴

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	4.3
Kasikornbank PCL Foreign	Thailand	Financials	3.5
Yes Bank Ltd	India	Financials	3.4
Tencent Holdings Ltd	China Ex PRC	Info Technology	3.4
Jardine Matheson Holdings	Singapore	Industrials	2.9
ICICI Bank Ltd	India	Financials	2.9
CNOOC Ltd	China Ex PRC	Energy	2.7
Jiangsu Yanghe Brewery J PN	China	Consumer Staples	2.6
Uni-President Enterprises Co	Taiwan	Consumer Staples	2.5
China Resources Gas Group	China Ex PRC	Utilities	2.4

Industry breakdown³

SECTOR	LONG %	NET %
Financials	25.0	25.0
Info Technology	19.6	19.6
Consumer Staples	9.8	9.8
Cons Discretionary	9.5	9.5
Utilities	8.1	8.1
Industrials	8.0	8.0
Energy	5.8	5.8

Invested positions³

	LONG %	NET %	CURRENCY %
China	7.2	7.2	7.2
China Ex PRC	23.8	23.8	
Hong Kong	3.5	3.5	20.8
Taiwan	3.9	3.9	1.0
India	21.0	21.0	21.1
Korea	9.6	9.6	5.8
Philippines	4.9	4.9	5.2
Singapore	2.9	2.9	
Thailand	7.0	7.0	7.1
Vietnam	2.0	2.0	2.0
	85.8	85.8	
Australian Dollar			12.3
China Renminbi Off Shore			(18.9)
United States Dollar			36.5
Cash & Accruals	14.2	14.2	
Total	100.0	100.0	100.0

Long - 58 stocks, 3 swaps

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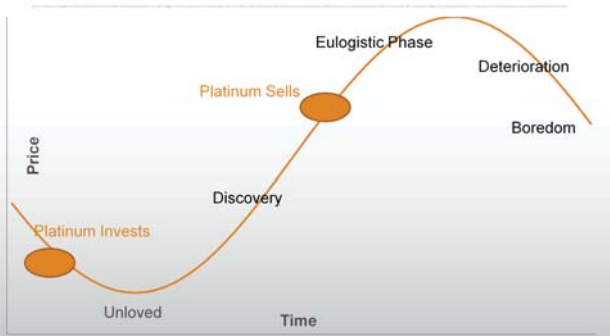
1. Performance results have been calculated using the pre-tax net asset value price (as released to the ASX) and represent the combined income and capital return of the investments for the specified period. Please note that the results are not calculated from the share price of PAI. You should also be aware that performance results are calculated using historic points of reference. PAI and its directors cannot guarantee that such results will be replicated in the future; therefore, this information should not be used to make future investment decisions.

2. The investment returns depicted in this graph are cumulative on A\$20,000 invested in PAI since inception relative to the MSCI All Country Asia ex Japan Net Index in A\$ ("Index"). Performance results have been calculated using the pre-tax net asset value as released to the ASX (monthly 'Net Asset Values') and represent the combined income and capital return of PAI's investments for the specified period. Please note that the results are not calculated from the share price of PAI. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably from the make-up of the Index. The Index is provided as a reference only.

3. The "Long %" represents the exposure of physical holdings and long stock derivatives. The "Net %" represents the exposure of physical holdings and both long and short derivatives. The "Currency %" represents the currency exposure for PAI's Portfolio, taking into account currency hedging.

4. Top Ten positions shows PAI's top long share exposure positions. Long derivative exposures are included, however, short derivative exposures are not.

Platinum's approach



Source: Platinum



Drivers of Asia's Development

Financial Capital : high savings rate
Social Capital : education, particularly STEM
Globalisation : beneficiary of trade
& NOW
The Internet as Enabler
Government Policy & Reform



Rewards from Asian investing

Pricing Imperfections
Fastest Growing Economic Bloc
Under-appreciated Scale AND Substance
Labour Cost Arbitrage
Almost Certain: Future Index Inclusion (HUGE Underweight to Close)
Expressed Via
China and ASEAN Consumer, Indian Infrastructure, Tech Leaders, Korean Banks



Key Chinese Consumer-facing holdings

Source: Company Websites, South China Morning Post, Bloomberg, avcj.com



Market update and Commentary

While the Western world focuses on the ramifications of Brexit, Asian markets are starting to see a benefit from the perception that US rates will stay lower for longer – note our key theme on our recent roadshow was ‘Lower for Much Longer’ (see our website, The Journal entry 18 May for more on this). While China’s A-share market did not join the MSCI indices this time round, it is only a matter of time before it plays a greater role in professionally managed portfolios which will need to build Chinese positions in the future. A weaker Chinese currency is starting to unfold, but with fear in global markets rising around Brexit, it seems likely it will be, for now, supported by the PBOC. ASEAN’s consumer focused economies are starting to attract investor attention again as they appear to be stronger than expected.

It is disappointing to report a negative return since the launch of PAI but when one looks at the make-up of the return, it was the cost of protecting the portfolio against a major fall in the Chinese currency, which is a real risk as the economy transitions. There were also losses in the Chinese insurance sector, which remains sensitive to the broader Shanghai market’s weakness, and policy risks: China’s ‘Amazon’, JD.com, and some of the Infrastructure exposure were soft too.

Tencent (China’s ‘Facebook’), Baidu (China’s ‘Google’) and Samsung Electronics, the global leader in smartphones, memory and display (TVs and monitors) were stand-outs in the tech sector, while Staples, like Chinese white spirits makers, Kweichow Moutai and Jiangsu Yanhe, and SE Asian conglomerate, Jardine Matheson, all did well. India’s private YES Bank bucked the general downtrend in financials and was in fact the biggest contributor to the portfolio.

We have long documented the case for investing in Asia, and today we own a portfolio of strong local businesses, trading on a weighted median P/E of 14X, with some cash in hand to exploit any opportunities that present themselves. We do believe that every professional investor is aware of the challenges that China faces in its transition and which the administration is focused on dealing with. We are prepared for sporadic bouts of fear as the bad debts in the system get more air time and their resolution is addressed, but are comfortable with the margin of safety in our Chinese investments from a long-term investment perspective and we are focusing on strong consumer-facing businesses predominantly.

The Platinum Asia Investments Limited Quarterly Report will be available on our website, www.platinum.com.au, from 15 July and mailed out by month end.