

# **Platinum Asia Fund (Quoted Managed Hedge Fund)**

**ARSN 620 895 427**

## **Financial Report – 30 June 2018**

**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
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**30 June 2018**

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**Platinum Asia Fund (Quoted Managed Hedge Fund)  
Responsible Entity Report  
30 June 2018**

The Directors of Platinum Investment Management Limited (trading as Platinum Asset Management<sup>®</sup>) (ABN 25 063 565 006 AFSL 221935), the responsible entity of the Platinum Asia Fund (Quoted Managed Hedge Fund) (the “*registered scheme*”), present their report on the registered scheme for the period from 18 August 2017 to 30 June 2018 (“*period*”).

**Principal Activities**

The Platinum Asia Fund (Quoted Managed Hedge Fund) (ASX code: PAXX) 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 managers and investment strategies. The returns of PAXX may vary from the returns of PAF's performance fee P Class due to different cash holdings and gains and losses on redemptions of PAXX units.

The principal activity of PAXX during the period was to invest in units of the PAF and some cash. The underlying fund, or PAF, primarily invests in the securities of companies in the Asia region (excluding-Japan), in accordance with the Product Disclosure Statement (PDS) dated 14 September 2017 and the Constitution.

**Directors of the Responsible Entity**

The Directors of Platinum Investment Management Limited (“*PIML*”) during the period and up to the date of this report were:

Andrew Clifford  
Kerr Neilson (until 23 July 2018)  
Elizabeth Norman  
Andrew Stannard

Andrew Clifford was appointed as the new Managing Director of PIML effective 1 July 2018. Kerr Neilson will remain as a full-time executive director of Platinum Asset Management Limited and an investment analyst within the investment team.

**Date of commencement and significant changes in the state of affairs**

PAXX was formally registered on 18 August 2017 and commenced trading on 14 September 2017.

There were no other significant changes in the state of affairs for the year ended 30 June 2018.

**Operating and Financial Review (OFR)**

At 30 June 2018, PAXX's Funds Under Management (“*FUM*”) was \$98.7 million<sup>1</sup> and its performance from launch date to 30 June 2018 was 10.2%, which was below the return of the benchmark Morgan Stanley Capital International All Country Asia ex Japan Net Index (MSCI) in A\$ terms of 10.6%<sup>2</sup>.

As at 30 June 2018, PAXX's Net Asset Value per unit (after the 30 June 2018 distribution) was \$4.4139. The 30 June 2018 distribution translated to \$1.079603 per unit.

The method of operating the registered scheme is not expected to change in the foreseeable future.

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<sup>1</sup> The reason for the variance between the FUM figure of \$98.7 million and the net assets figure of \$98.5 million reported in the financial statements relates to the fact that net assets were calculated in accordance with the Australian Accounting Standards and were valued using the redemption price as at 30 June 2018.

<sup>2</sup> 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.

Returns (including the “from launch date” returns) are cumulative.

For the purpose of calculating the “launch date” return of the MSCI index, PAXX's launch date 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 for MSCI index returns.

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**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
**Responsible Entity Report (continued)**  
**30 June 2018**

In terms of outlook, the Investment Manager has stated that *“we are encouraged by the number of attractive long-term opportunities that we are finding, and many of these businesses are not expected to be directly impacted by the trade friction. We will continue to invest in reasonably valued companies with strong growth prospects”*.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect:

- (i) the operation of the registered scheme in future years; or
- (ii) the results of those operations in future years; or
- (iii) the state of affairs of the registered scheme in future years.

**Likely developments and expected results of operations**

The registered scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the PDS of the registered scheme and in accordance with the provisions of the registered scheme's Constitution.

The results of the registered scheme's operations will be affected by a number of factors, including the performance of investment markets in which PAF invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

**Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the registered scheme with regard to insurance cover provided to either the underlying fund or Investment Manager, Platinum Investment Management Limited, or the Auditor of the registered scheme. As long as the officers of the responsible entity act in accordance with the underlying funds' Constitution and the Law, they remain fully indemnified out of the assets of the underlying fund against any losses incurred while acting on behalf of the registered scheme. The Auditor of the registered scheme is in no way indemnified out of the assets of the registered scheme.

**Fees paid to and interests held in the registered scheme**

Management and performance fees were borne at the Platinum Asia Fund level and were reflected in the unit price of units purchased in the Platinum Asia Fund. No fees were paid out of the registered scheme property to the Directors of the responsible entity during the period.

**Units on issue**

The movement in units on issue in the registered scheme during the period have been disclosed in Note 8 to the financial statements.

**Environmental regulation**

The operations of the registered scheme are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

**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.

**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
**Responsible Entity Report (continued)**  
**30 June 2018**

**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 6.

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

A handwritten signature in black ink, appearing to read 'Andrew Stannard', with a large, stylized flourish at the end.

Andrew Stannard  
Director

Sydney  
31 August 2018



## *Auditor's Independence Declaration*

As lead auditor for the audit of Platinum Asia Fund (Quoted Managed Hedge Fund) for the period 18 August 2017 to 30 June 2018, I declare that to the best of my knowledge and belief, the only contraventions of

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
  - (b) any applicable code of professional conduct in relation to the audit;
- are as set out below.

A partner in the lead audit engagement office held an immaterial investment in Platinum Asia Fund (Quoted Managed Hedge Fund) for a very short period. The partner did not provide any services to the responsible entity or the fund. The investment was immediately disposed when the issue was identified.

This matter was identified as part of our on-going quality control system. All reasonable steps were undertaken to ensure that this matter was resolved as soon as possible. I report that this matter has been resolved, and in doing so do not believe that this matter has impacted my objectivity and impartiality for the purpose of this audit.

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

Simon Cuthbert  
Partner  
PricewaterhouseCoopers

Sydney  
31 August 2018

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**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
**Statement of Comprehensive Income**  
**For the period 18 August 2017 to 30 June 2018**

	Note	For the period 18 August 2017 to 30 June 2018 \$'000
<b>Income</b>		
Interest		1
Distribution	5	21,551
Unrealised (losses) on units held in the Platinum Asia Fund <sup>*</sup>		(20,283)
<b>Total income</b>		<u>1,269</u>
<b>Expenses</b>		
Operating expenses <sup>^</sup>		-
<b>Total expenses</b>		<u>-</u>
<b>Net operating profit**</b>		1,269
Other comprehensive income		-
<b>Total comprehensive income</b>		<u>1,269</u>

<sup>\*</sup> These figures are in a loss position because they include the impact of the 30 June 2018 distribution payable to unitholders.

<sup>^</sup> Management and performance fees are borne at the Platinum Asia Fund level and were reflected in the unit price of units purchased in the Platinum Asia Fund.

<sup>\*\*</sup> Net operating profit reflects the unrealised income at 30 June 2018 and is not required to be distributed to unitholders.

*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 30 June 2018**

	<b>Note</b>	<b>30 June 2018</b> <b>\$'000</b>
<b>Assets</b>		
Cash and cash equivalents		1
Receivables (for units sold in the Platinum Asia Fund)	6	-
Distribution receivable from the Platinum Asia Fund	5	21,551
Financial assets at fair value through profit or loss	4	<u>98,602</u>
<b>Total Assets</b>		<u>120,154</u>
<b>Liabilities</b>		
Distribution payable to investors	5	(21,661)
Payables (for units purchased in the Platinum Asia Fund)	7	-
<b>Total Liabilities</b>		<u>(21,661)</u>
<b>Net Assets Attributable to Unitholders - equity</b>	<b>8</b>	<u><u>98,493</u></u>

*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 period 18 August 2017 to 30 June 2018**

	<b>Note</b>	<b>For the period 18 August 2017 to 30 June 2018 \$'000</b>
<b>Total equity at the beginning of the period</b>		<u>-</u>
Net operating profit attributable to unitholders	8	<u>1,269</u>
Other comprehensive income for the period		<u>-</u>
<b>Total comprehensive profit for the period</b>		<u>1,269</u>
<i>Transactions with equity holders</i>		
Unitholder applications	8	119,847
Unitholder redemptions		(962)
Distribution paid/payable	8	<u>(21,661)</u>
<b>Total equity at the end of the period</b>	8	<u><u>98,493</u></u>

*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 period 18 August 2017 to 30 June 2018**

**Note**      **For the period 18**  
                  **August 2017 to**  
                  **30 June 2018**  
                  **\$'000**

**Cash flows from operating activities**

Purchase of financial assets		(118,885)
Interest received		1
<b>Net cash (used in) operating activities</b>	13	<u>(118,884)</u>

**Cash flows from financing activities**

Proceeds from units issued		<u>118,885</u>
<b>Net cash inflow from financing activities</b>		<u>118,885</u>

**Net increase in cash and cash equivalents**

Cash and cash equivalents at the beginning of the period		-
Effects of exchange rate changes on cash and cash equivalents		-
<b>Cash and cash equivalents at the end of the period</b>		<u><u>1</u></u>

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

**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
**Notes to Financial Statements**  
**30 June 2018**

**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.

The registered scheme may be wound up on the day immediately preceding the 80th anniversary of the date of commencement, unless terminated earlier in accordance with the provisions of the Constitution.

The financial report was authorised for issue by the Directors of the responsible entity on 31 August 2018. The Directors have the power to amend the financial report after issue.

**Note 2. Summary of Significant Accounting Policies**

**(a) Basis of preparation of the financial statements**

The financial statements have been prepared in accordance with the requirements of the registered scheme's Constitution, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The registered scheme is a for-profit entity for the purpose of preparing the financial report.

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value.

The Statement of Financial Position is presented on a liquidity basis. Specifically, assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All investment-related balances are expected to be recovered or settled within 12 months, except for financial assets at fair value through profit or loss.

The registered scheme manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, a precise estimate of that amount cannot be determined as at balance date.

*Compliance with International Financial Reporting Standards*

The financial statements of the registered scheme also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

*Critical Accounting Estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates and judgements, which are included in the accounting policies below.

**(b) Income Tax**

Under current tax legislation, the registered scheme is not subject to income tax as unitholders will have the registered schemes' share of PAF's income attributed to them, in proportion to the number of units they hold.

The benefits of any offsets for foreign tax paid are passed on to unitholders.

**Note 2. Summary of Significant Accounting Policies (continued)**

**(c) Financial Assets and Liabilities at Fair Value through Profit or Loss**

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments are classified in the registered scheme's Statement of Financial Position as "financial assets/liabilities at fair value through profit or loss". Units held in Platinum Asia Fund are designated at fair value through profit or loss upon initial recognition. The registered scheme has applied AASB 13: *Fair Value Measurement*. AASB 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". AASB 13 increases transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value.

With respect to the registered scheme, the redemption price or "exit" price has been chosen to value the units held in the Platinum Asia Fund, because the redemption price represents the price that the security last changed hands from seller to buyer.

AASB 13 also requires reporting entities to disclose its valuation techniques and inputs. This is described below.

*Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets uses quoted market prices at reporting date without any deduction for estimated future selling costs. Financial assets are valued using "exit" pricing. Gains and losses arising from changes in the fair value of the financial assets/liabilities are included in the Statement of Comprehensive Income in the period they arise.

Forward currency contracts are initially recognised at fair value on the date contracts are entered into and are subsequently re-measured at each reporting date. The fair value is the unrealised profit or loss on the foreign currency position (in Australian dollars).

*Recognition/derecognition*

The registered scheme recognises financial assets on the date they become party to the purchase contractual agreement (trade date) and recognise changes in fair value of the financial assets from this date.

The registered scheme no longer recognises financial assets on the date they become party to the sale contractual agreement (trade date).

**(d) Brokerage and transaction costs**

Initial measurement (cost) on acquisition of trading securities shall not include directly attributable transaction costs, such as fees and commissions paid to agents. Incremental transaction costs on financial assets at fair value through profit or loss are expensed immediately.

The responsible entity has appointed a market maker to act as its agent to execute its market making activities, by providing liquidity on the ASX, by acting as a buyer and seller of units. At the end of each trading day, units will be created or cancelled by applying for or redeeming its net position in units bought or sold on the ASX. The responsible entity will execute its market making activities via a trading participant under the ASX Operating Rules. The responsible entity has appointed Deutsche Bank to provide market making services as agent for the responsible entity.

**(e) Unitholders' funds**

Units are redeemable at the unitholder's option and are classified as equity, as the registered scheme has only one class of units and no contractual obligation to pay distributions.

A unitholder can redeem units based on the price quoted on the ASX AQUA market.

**Note 2. Summary of Significant Accounting Policies (continued)**

*Redeemable units*

The registered scheme issues redeemable units, which are redeemable through trading on the ASX AQUA market and are classified as equity in accordance with AASB 132: *Financial Instruments: Presentation*.

Should the terms or conditions of the redeemable units change such that they no longer comply with the criteria for classification as equity in AASB 132, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the redeemable units' fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

The consideration received or paid for units is based on the price quoted on the ASX AQUA market, which is not necessarily the same as the value of the registered scheme's net assets value per redeemable unit struck at the end of each trading day (redemption price). The registered scheme's net asset value per unit at the end of each trading day is calculated by dividing the registered scheme's net assets by the total number of outstanding units.

**(f) Foreign currency translation**

Items included in the registered scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the country that the registered scheme is regulated, funds are raised and distributions are paid. The Australian dollar is also the registered scheme's presentation currency.

Transactions denominated in foreign currencies are translated into Australian currency at the rates of exchange prevailing on the date of the transaction. Foreign currency assets and liabilities for the Statement of Financial Position are translated at exchange rates at the closing rate at the date of the Statement of Financial Position. Resulting exchange differences are brought to account in determining profit and loss for the period.

**(g) Investment income**

*Interest Income*

Interest income is recognised in the Statement of Comprehensive Income, using the nominated interest rate available on the bank accounts held at various locations throughout the world.

*Distributable Income*

Distributions are brought to account on the applicable ex-distribution date.

**(h) Distribution paid/payable**

A new tax regime applying to Managed Investment Trusts ('MITs') was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. Unitholders will be taxed on the income of the Attribution Managed Investment Trusts ('AMIT') 'attributed' to them by the responsible entity.

The registered scheme intends to fully distribute any attributable income to unitholders by cash or reinvestment. Attributable income is determined by reference to the taxable income of the registered scheme.

**(i) Receivables**

All receivables are recognised when a right to receive payment is established. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised where there is evidence the amount will not be collected.

**(j) Payables**

All payables are recognised as and when the registered scheme becomes liable. Due to the short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(k) Applications and redemptions**

Applications received for units in the registered scheme are recorded net of any entry fees (spread) payable prior to the issue of units in the registered scheme. Redemptions from the registered scheme are recorded gross of any exit fees (spread) payable after the cancellation of units redeemed. Units issued or redeemed are recognised when settled, which is the trade date.

**Note 2. Summary of Significant Accounting Policies (continued)**

**(l) 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 these financial statements have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(m) Goods and Services Tax (GST)**

The GST paid on any direct costs of various services provided to the registered scheme and any GST recoverable from the ATO at reporting date is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

**(n) Operating segments**

The registered scheme is within the scope of AASB 8: *Operating Segments* as it satisfies the requirement, under AASB 8, of having debt or equity instruments traded in a public market, or filing financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Refer to Note 14 for further information.

**(o) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash includes deposits held at call with financial institutions, cash held in margin accounts and other short term, highly liquid investments with original maturities of 3 months or less that is readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of financial assets are classified as "cash flows from operating activities" as realised and unrealised gains (and losses) on financial assets represent the registered scheme's main operating activity.

**(p) New accounting standards and interpretations**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the registered scheme for the reporting period ended 30 June 2018. The registered scheme's assessment of the impact of the new or amended Accounting Standards and Interpretations, most relevant to the registered scheme, are set out below.

*AASB 9: Financial Instruments (and applicable amendments)*

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It includes revised rules around classification, hedge accounting and impairment. The standard is applicable for annual reporting periods beginning on or after 1 January 2018.

More specifically AASB 9 replaces the classification and measurement model in AASB 139: *Financial Instruments: recognition and measurement* with a new model that classifies financial assets based on a) the business model within which the assets are managed, and b) whether contractual cash flows under the instrument solely represent the payment of principal and interest. Management has assessed the classification and measurement aspects of AASB 9 on the financial statements. Given the registered scheme manages and reports its investments on a fair value basis, management expects on adoption, that all financial assets, will remain classified at fair value through profit or loss resulting in no impact to the financial performance or position of the registered scheme.

The hedging and impairment aspects of the new standard have also been assessed as having no impact as the registered scheme does not enter into hedging arrangements and is not impacted by write-downs, because the financial assets and liabilities are carried at fair value through profit or loss.

The registered scheme has adopted this standard for annual reporting periods commencing from 1 July 2018.

**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
**Notes to Financial Statements**  
**30 June 2018**

**Note 2. Summary of Significant Accounting Policies (continued)**

**(p) New accounting standards and interpretations (continued)**

AASB 15: *Revenue from contracts with customers and amendments to AASB 15*

The main objective of this new standard is to provide a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The registered scheme's main source of income is distribution income. This income type is outside the scope of the standard. The registered scheme has adopted this standard for annual reporting periods commencing from 1 July 2018.

The standard was assessed as not having a material impact on the registered scheme in current or future reporting periods.

There are no other standards that are not yet effective that are expected to have a material impact on the registered scheme in the current or future reporting periods and on foreseeable future transactions.

**Note 3 Auditor's Remuneration**

	<b>For the period 18 August 2017 to 30 June 2018 \$</b>
Auditing of the financial report	9,506
Auditing the Compliance Plan	3,000
Taxation services	31,650
	<u>44,156</u>

Auditor's remuneration is paid by the responsible entity, Platinum Investment Management Limited. The fee for taxation services predominantly relates to work associated with the 30 June 2018 distribution.

**Note 4. Financial Assets and Liabilities at Fair Value through Profit or Loss**

	<b>30 June 2018 \$'000</b>
<b>Financial assets</b>	
<i>Designated at fair value through profit or loss</i>	
Units in the Platinum Asia Fund (valued at the 30 June 2018 redemption price which includes the impact of the 30 June 2018 distribution)	98,602
Total financial assets at fair value through profit or loss	<u>98,602</u>

**Financial liabilities**

At 30 June 2018, there were no financial liabilities held.

**Note 5. Distribution**

The distribution receivable from the Platinum Asia Fund was \$21,551,286 (\$0.2246 per unit). The distribution payable to investors of the registered scheme was \$21,661,453 (\$1.0796 per unit). The amounts differed because the registered scheme generated distributable income of its own and included this as part of the distribution it made to investors. In the case of the registered scheme, the distributable income generated was interest income and gain on redemption of Platinum Asia Fund units during the period of \$110,167.

**Note 6. Receivables**

The receivables 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.

**Note 7. 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.

**Note 8. Net Assets Attributable to Unitholders**

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

	<b>30 June 2018 Units</b>	<b>30 June 2018 Net Assets \$'000</b>
Opening balance	-	-
Applications	22,538,595	119,847
Redemptions	(168,432)	(962)
Net operating profit	-	1,269
Distribution paid/payable	-	(21,661)
Closing balance	<u>22,370,163</u>	<u>98,493</u>

**Note 9. Financial Risk Management**

PAXX is a feeder fund that invests in units of the underlying fund, Platinum Asia Fund. Hence, all of PAXX's exposure to investment risk is an indirect risk only.

**(a) Financial Risk Management Objectives, Policies and Processes**

The registered scheme's primary risk is the adverse financial performance of the underlying fund, Platinum Asia Fund, caused by volatile markets. The registered scheme's risks are linked to the underlying fund's investment activities undertaken on its behalf by the responsible entity, which means that the registered schemes risks are of an indirect nature.

The risks that the underlying fund is exposed to include market risk (including foreign exchange currency risk and price risk), credit risk and liquidity risk.

The responsible entity's investment style:

- adopts a bottom-up stock selection methodology such that long-term capital growth is sought through investing in undervalued securities in the Asia region ex Japan;
- seeks absolute returns and not returns relative to any index;
- invests excess funds in cash when undervalued stocks cannot be found; and
- actively manages currency.

**(b) Market Risk**

There is a risk the underlying fund's security prices may decline over short or extended periods which will in turn indirectly impact the registered scheme due to general market conditions, including but not limited to foreign currency fluctuations, price and interest rates.

**(i) Foreign Exchange Risk**

Foreign exchange risk is the risk the registered scheme's fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates.

The registered scheme is not directly exposed to movements in foreign exchange rates.

**Note 9. Financial Risk Management (continued)**

**(b) Market Risk (continued)**

**(i) Foreign Exchange Risk (continued)**

Currency hedging is an integral part of the management of currency risk. The Investment Manager positions the underlying funds' portfolio in what it believes will be a/the stronger currency(ies). At 30 June 2018, the underlying fund's main exposure was to the Hong Kong dollar at 33% and the US dollar at 13%. The Investment Manager may use forward foreign exchange contracts to position the underlying fund's portfolio in the desired currencies. A currency exposure may be positioned using a different currency from which the exposure is maintained (for example, US dollar positions may be used to hedge the currency risk of holding investments in Hong Kong dollars).

The Investment Manager may use forward foreign exchange contracts to position the underlying fund's portfolio in the desired currencies. A currency exposure may be positioned using a different currency from which the exposure is maintained (for example, US dollar positions may be used to hedge the currency risk of holding investments in Hong Kong dollars).

*Foreign exchange risk sensitivity analysis*

The sensitivity analysis below shows the impact a 10% movement in foreign currency at reporting date would have on the registered scheme's proportionate interest in the underlying fund's profit on monetary and non-monetary assets and liabilities such as cash, forward contracts and equities.

A sensitivity of 10% has been selected as this is considered reasonably possible given current exchange rates and the volatility observed both on a historic basis and possible future movements. The table presents the foreign currency or currencies with the largest impact on the registered scheme's proportionate interest in the profit of the underlying fund.

	<b>2018</b>	<b>2018</b>
	<b>+10%</b>	<b>(10%)</b>
	<b>\$'000</b>	<b>\$'000</b>
Hong Kong dollar	(8,916)	10,897
United States dollar	(4,143)	5,065
Other	(12,556)	15,094
	<u>(25,615)</u>	<u>31,056</u>

The sensitivity analysis shows that the registered scheme is materially indirectly affected by exchange rate movements (other things being equal), given the global nature of the investments held.

The above currencies have been used as proxies for the underlying fund's physical exposure in those currencies. A sensitivity of 10% has been selected as this is considered reasonably possible.

**(ii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The registered scheme does not have a material direct or indirect exposure to interest rate risk.

**Note 9. Financial Risk Management (continued)**

**(b) Market Risk (continued)**

**(iii) Price Risk**

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Price risk arises on financial instruments held for which prices in the future may be uncertain. These financial instruments are classified in the statement of financial position as financial assets at fair value through profit or loss.

*Price risk sensitivity analysis*

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to price risk, as represented by a +/- 10% movement in the key regional markets affecting the registered scheme's proportionate interest in Platinum Asia Fund's performance and results, with all other variables held constant. The 10% figure is based on management's estimates of reasonably possible movements of Platinum Asia Fund's operating profit and net assets, having regard to a number of factors including historical investment price movements and foreign exchange rates. However, actual movements may be greater or less than anticipated due to a number of factors, including unforeseen market movements and macroeconomic events.

	<b>2018</b>	<b>2018</b>
	<b>+10%</b>	<b>(10%)</b>
	<b>\$'000</b>	<b>\$'000</b>
China	14,258	(14,258)
India	3,467	(3,467)
Other	5,259	(5,259)
	<u>22,984</u>	<u>(22,984)</u>

**(c) Credit Risk**

This registered scheme does not have material direct exposure to credit risk.

**(d) Liquidity Risk**

Liquidity risk is the risk that sufficient cash resources may not be able to be generated to settle obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the registered scheme. The registered scheme is exposed to daily cash redemptions of redeemable units at the unitholder's request. The registered scheme is exposed to cash redemptions of redeemable units. The underlying fund holds equities that are traded on active markets and, if necessary, these can be disposed in order to fund redemption requests and distributions.

The registered scheme has various financial liabilities such as distributions payable and unsettled purchases of units in Platinum Asia Fund and payables to investors/unitholders (and net assets attributable to unitholders). These have no contractual maturities, but are typically settled within 30 days.

**(e) Capital Risk Management**

The responsible entity manages the registered scheme's units attributable to unitholders as capital. The amount of net assets attributable to unitholders can change on a daily basis as the registered scheme is subject to daily applications and redemptions at the discretion of unitholders.

The registered scheme is a quoted managed hedged fund on the ASX under the AQUA Rules. For example, rules require the responsible entity to disclose information about units on issue, redemptions and annual distributions.

**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
**Notes to Financial Statements**  
**30 June 2018**

**Note 10. Fair Value Hierarchy**

AASB 13: *Fair Value Measurement* requires the registered scheme to classify its assets and liabilities 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.

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

<b>30 June 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Units held in the Platinum Asia Fund (reconciles to note 4)	-	98,602	-	98,602
<b>Total of financial assets</b>	<u>-</u>	<u>98,602</u>	<u>-</u>	<u>98,602</u>

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 or liabilities measured at fair value during the period.

*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 30 June 2018 ex-distribution 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 11. Key Management Personnel Disclosures**

AASB 124: *Related Party Disclosures* defines key management personnel as "persons having authority and responsibility for planning, directing and controlling activities of the entity". The only employees that have this authority and responsibility are the Directors of Platinum Investment Management Limited.

**Key management personnel**

The following persons were key management personnel of Platinum Investment Management Limited at any time during the period, from 18 August 2017 to 30 June 2018:

Andrew Clifford^  
 Kerr Neilson^  
 Elizabeth Norman  
 Andrew Stannard

^ Andrew Clifford was appointed as the new Managing Director of PIML effective 1 July 2018. Kerr Neilson will remain as a full-time executive director of Platinum Asset Management Limited and an investment analyst within the investment team.

There are no other key management personnel within Platinum Investment Management Limited.

**Service Agreements**

The KMP do not have service agreements with the registered scheme as they are employees of Platinum Investment Management Limited.

**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
**Notes to Financial Statements**  
**30 June 2018**

**Note 12. Related Parties**

*Responsible Entity*

Platinum Investment Management Limited (ABN 25 063 565 006 AFSL 221935) is the responsible entity of the registered scheme.

*Directors of the Responsible Entity*

Key management personnel include persons who were Directors of Platinum Investment Management Limited at any time during the period, are listed in Note 11.

There were no other persons with responsibility for planning, directing and controlling the activities of the responsible entity, directly or indirectly during the period.

**Transactions with key management personnel**

There was no compensation paid directly by the registered scheme to any of the key management personnel

**Related party unitholdings**

Units held by related parties are as follows:

	No. of Units held opening	No. of Units held closing	Investment (cum- distribution) (\$)	Interest held (%)	No. of Units acquired	No. of Units disposed	Distributions paid/payable by the registered scheme (\$)
<b>30 June 2018</b>							
Platinum Investment Management Limited	-	4,461,000	24,245,981	19.9%	4,461,000	-	4,816,109

**Responsible Entity Fees**

Management and performance fees are borne at the Platinum Asia Fund level and were reflected in the unit price of units purchased in the Platinum Asia Fund. No fees were paid out of the registered scheme property directly to the Directors of the responsible entity during the year

**Note 13. Notes to the statement of cash flows**

Reconciliation of profit after income tax to net cash (used in) operating activities

	<b>2018</b>
	<b>\$'000</b>
Operating profit	1,269
(Increase) in investments	(98,602)
(Increase) in distribution receivable	(21,551)
Net cash (used in) operating activities	<u>(118,884)</u>

**Note 14. Operating segments**

The registered scheme's investments are managed on a single portfolio basis in one operating segment, being investment and this operating activity takes place in Sydney, Australia, which is the registered scheme's only geographic segment. The registered scheme has indirect foreign investment exposure, via its investment in Platinum Asia Fund, which invests in undervalued securities in the Asia region-ex Japan.

**Note 15. Structured entities**

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the registered scheme's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However the registered scheme applies the "Investment Entity Exemption" available under AASB 10: *Consolidated Financial Statements* and therefore does not consolidate its controlled entities. In other cases, it may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the registered scheme. Such interests include holdings of units in unlisted trusts. The nature and extent of the registered scheme's interests in structured entities are titled "Units in the Platinum Asia Fund" and are summarised in note 4. Income earned and realised and unrealised gains/(losses) from structured entity investments are disclosed within the statement of comprehensive income.

The registered scheme has exposures to unconsolidated structured entities through its investment activities. The registered scheme's maximum exposure to loss is restricted to the carrying value of the asset. The registered scheme's overall risk management programme focuses on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the registered scheme is exposed. The risks associated with the investments are disclosed to in note 9.

During the year, the registered scheme did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

As at 30 June 2018, there were no capital commitments other than unsettled sales or unsettled purchases in the statement of financial position.

**Note 16. Events Occurring after Balance Date**

No significant events have occurred since balance date that would impact the financial position of the registered scheme as at 30 June 2018 and the results for the year ended on that date.

**Note 17. Contingent Assets, Liabilities and Commitments**

The registered scheme has no contingent assets, liabilities or commitments as at 30 June 2018.

**Platinum Asia Fund (Quoted Managed Hedge Fund)**  
**Directors' Declaration**  
**As at 30 June 2018**

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 7 to 21:

- (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 30 June 2018 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial period 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  
31 August 2018



## *Independent auditor's report*

To the unitholders of Platinum Asia Fund (Quoted Managed Hedge Fund)

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Platinum Asia Fund (Quoted Managed Hedge Fund) (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2018 and of its financial performance for the period 18 August 2017 to 30 June 2018
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *What we have audited*

The financial report comprises:

- the statement of financial position as at 30 June 2018
- the statement of comprehensive income for the period 18 August 2017 to 30 June 2018
- the statement of changes in equity for the period 18 August 2017 to 30 June 2018
- the statement of cash flows for the period 18 August 2017 to 30 June 2018
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia, other than as set out in the Auditor's Independence Declaration dated 31 August 2018. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Registered Scheme, its accounting processes and controls and the industry in which it operates.

<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> <li>• For the purpose of our audit we used overall materiality of \$984,930 which represents approximately 1% of the Registered Scheme’s net assets attributable to unitholders.</li> <li>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>• We chose net assets attributable to unitholders as this is a generally accepted benchmark in the fund industry.</li> <li>• We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>• Our audit focused on where the Registered Scheme made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>• Our audit approach reflects the nature of the investments held by the Registered Scheme and the consideration of the work undertaken by third party service providers.</li> <li>• The key service providers manage the Registered Scheme’s investments, maintain its accounting records and provide custodian services.</li> </ul>	<ul style="list-style-type: none"> <li>• Amongst other relevant topics, we communicated the following key audit matter to the Audit and Risk Committee:               <ul style="list-style-type: none"> <li>– Valuation and existence of financial assets at fair value through profit or loss.</li> </ul> </li> <li>• This is further described in the <i>Key audit matters</i> section of our report.</li> </ul>



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of financial assets at fair value through profit or loss</b> <i>(Refer to note 2 and 4)</i></p> <p>At 30 June 2018, investments in financial assets at fair value through profit or loss of \$98,602,000 were comprised primarily of investments in an unlisted fund.</p> <p>The existence and valuation of financial assets was a key audit matter because they represent the principal element of the Statement of financial position, accounting for 100% of net assets attributable to unitholders. A discrepancy in the valuation or existence of investments could cause the net assets attributable to unitholders to be materially misstated which could also impact the Registered Scheme's performance as the valuation of financial assets is the main driver of movements in its profit.</p>	<p>Our audit procedures on investment valuation included, amongst others:</p> <ul style="list-style-type: none"><li>• Obtained a confirmation of the 30 June 2018 redemption price for the unlisted fund and the number of units held by the Registered Scheme at balance date from the custodian and recalculated the value of the investment using these inputs and compared this to the fair value recognised by the Registered Scheme.</li></ul> <p>Our audit procedures on investment existence included, amongst others:</p> <ul style="list-style-type: none"><li>• We obtained the most recent System and Organization Controls ("SOC 1") Report issued by the custodian, setting out the controls in place at that service organisation, which included an independent audit opinion over the design and operating effectiveness of those controls. We evaluated the controls over investment existence, the tests undertaken by the auditor and the results of these tests and the auditor's conclusions on the design and operational controls to the extent relevant to our audit of the Registered Scheme. This report and assurance opinion is comparable to the Australian equivalent, ASAE 3402 issued by the Auditing and Assurance Standards Board.</li><li>• We obtained confirmations from the custodian of the investment holdings as at 30 June 2018 and sample tested the largest reconciling items by obtaining supporting evidence for the differences.</li></ul> <p>We assessed the adequacy of the disclosures in Note 2, Note 4, Note 9 and Note 10 to the financial report in</p>



*Key audit matter*

*How our audit addressed the key audit matter*

light of the requirements of Australian Accounting Standards.

*Other information*

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the period 18 August 2017 to 30 June 2018, including the Responsible Entity Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors of the Responsible Entity for the financial report*

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.



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*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Simon Cuthbert*

Simon Cuthbert  
Partner

Sydney  
31 August 2018