



Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

31 March 2019

Facts

Portfolio value	\$162.70mn
Fund commenced	12 September 2017
Fund launch	14 September 2017
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Net Asset Value (\$ per unit)	\$4.4343

Fees

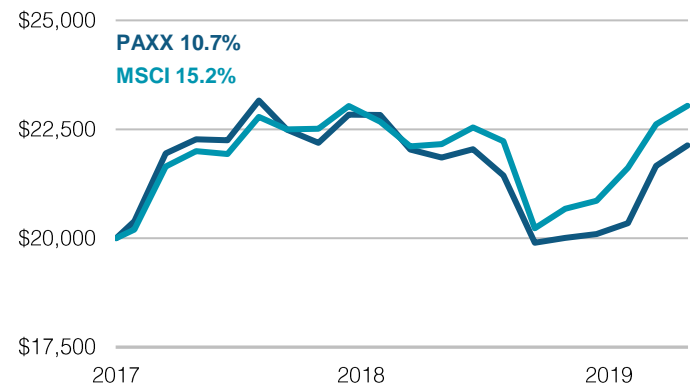
Entry fee	Nil
Buy/sell spread (Platinum Asia Fund)	0.25%/0.25%
Fee:	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.*

Performance¹

	Fund %	MSCI %
1 month	2.18	1.87
3 months	10.13	10.43
6 months	3.22	3.67
Calendar year to date	10.13	10.43
1 year	(0.24)	2.36
Since inception	6.77	9.57

*of the amount by which the Fund's return exceeds its index return

Performance graph²



Invested positions of Platinum Asia Fund³

	LONG %	NET %	CURRENCY %
China	8.1	8.1	17.3
China Ex PRC	34.7	34.7	
Hong Kong	9.6	9.6	28.2
Taiwan	3.7	3.7	3.5
India	12.2	8.6	10.2
Korea	8.3	8.0	8.2
Malaysia	0.4	0.4	0.4
Philippines	3.1	3.1	3.1
Thailand	4.1	4.1	4.1
United States	0.2	0.2	41.0
Vietnam	2.3	2.3	2.3
	86.7	82.8	

Australian Dollar			0.2
China Renminbi Off Shore			(18.6)
UK Pound Sterling			0.1
Cash	13.3	17.2	
Total	100.0	100.0	100.0

Long - 67 stocks, 1 swap Short - 2 stocks, 2 indices

Top ten positions of Platinum Asia Fund⁴

STOCK	COUNTRY*	INDUSTRY	%
Alibaba Group	China	Cons Discretionary	4.8
Ping An Insurance Grp	China	Financials	3.8
Tencent Holdings Ltd	China	Communication Serv.	3.8
Taiwan Semiconductor	Taiwan	Info Technology	3.7
Samsung Electronics Co Ltd	Korea	Info Technology	3.5
AIA Group Ltd	Hong Kong	Financials	3.5
Axis Bank Ltd	India	Financials	2.7
Kasikornbank PCL	Thailand	Financials	2.7
58.COM Inc	China	Communication Serv.	2.6
Ayala Land Inc	Philippines	Real Estate	2.6

*China includes exposure to Chinese A shares, H shares and ADRs

Industry breakdown of Platinum Asia Fund

SECTOR	LONG %	NET %
Financials	25.0	25.0
Cons Discretionary	18.1	18.1
Communication Services	14.8	14.8
Info Technology	9.8	8.8
Real Estate	5.7	5.7
Industrials	3.3	3.3
Consumer Staples	3.0	3.0
Health Care	2.3	2.0
Other*	2.2	(0.5)
Utilities	1.0	1.0
Materials	0.9	0.9
Energy	0.7	0.7

* Includes index short positions

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1. & 2. Source: Platinum for Fund returns and RIMES Technologies for MSCI returns. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns are net of any accrued investment performance fee. The returns are calculated relative to the MSCI All Country Asia ex-Japan Net Index in A\$. The investment returns depicted in the graph are cumulative on A\$20,000 invested in the Fund since inception. Past performance is not a reliable indicator of future returns. It should be noted that Platinum does not invest by reference to the weightings of the index. Underlying assets are chosen through Platinum's bottom up 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. China refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies. The "Long %" represents the exposure to direct securities holdings and long stock/index derivatives as a percentage of the Platinum Asia Fund's ("PAF's") net asset value. The "Net %" represents the exposure to direct securities holdings and both long and short stock/index derivatives as a percentage of PAF's net asset value. The "Currency %" represents the effective currency exposure of PAF's portfolio as a percentage of PAF's net asset value, taking into account currency exposures through securities holdings, cash, forwards and long and short stock/index derivatives.

4. The "Top ten positions" show PAF's top ten long positions as a percentage of PAF's net asset value. Direct securities holdings and long stock derivatives are included. However, short stock derivatives are not included. All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/SpecialPages/Terms-Conditions>.

- There are signs that the Chinese economy has bottomed
- Fiscal stimulus via tax cuts is continuing in China.
- Regional markets have rebounded but remain cheap.

Asian markets and the underlying fund (Platinum Asia Fund) continued to produce positive returns in March. The Fund benefited from strong showings by various Chinese holdings (for instance Anta Sports, Ping An and Tencent), while our Indian private sector banks also performed pleasingly (Axis and ICICI in particular).

Early in the month markets needed to digest very weak economic data, especially from trade-exposed Korea: the OECD cut its growth expectation by 0.2% to 2.6% p.a. for 2019 (Morgan Stanley) and early export data for March indicated that Korean exports shrank 5% (Business Insider). None of this surprises us, with trade exposed economies likely suffering from the ongoing effects of trade uncertainty thanks to the antics of the Trump administration, with this possibly exacerbated by the effects of importers drawing forward orders in 2018 to avoid tariffs.

Markets seem to be “looking through” weak coincident data and we think with good cause. It seems clear that the Federal Reserve has paused in its tightening of monetary policy and China is clearly seeking to stimulate its economy, using coordinated fiscal and monetary stimulus. Indeed the situation from 2018 appears to have largely reversed, with the world’s two largest economies now loosening and stimulating into a well-understood trade issue, rather than tightening into an under-estimated trade war.

In China, monetary loosening has probably run its course for now, in our view. However, Chinese authorities are now following on with pronounced fiscal stimulus.

The Ministry of Finance has promised to reduce the total burden of tax and fees by Rmb 2.0trn (around 2% of GDP) on an annualised basis (Xinhua), in addition to personal income tax cuts announced last year and implemented on 1 January 2019. Notably, China’s income tax cuts are aimed at China’s lower middle class, by allowing deductions for health, elderly care and education and increasing the tax-free threshold (CICC). Data in January and February indicate an 18% reduction in the income tax take across China and the nature of the tax measures announced will benefit lower-income earners most. Please do compare this to the nature of the tax cuts announced in the US.

From here we shall see the impact of value-added tax (VAT) cuts on 1 April, directed at small and medium enterprises, and payroll tax reductions from 1 May.

These further tax cuts come as Chinese Purchasing Manager’s Index (PMI) showed improvement in March. Official manufacturing PMIs improved from 49.2 in February to 50.5 in March – the largest improvement since 2012 (Bloomberg).

The PT quarterly report will be available on our website on 10 April 2019.



Source: Credit Suisse, MSCI. Correct as at 1 April 2019

Chinese Manufacturing PMI shows strong rebound



Source: Bloomberg. Correct at 5 April 2019.

Shibor Index (Loosening apparent)



Source: Bloomberg. Correct as at 5 April 2019