

**Facts**

Portfolio value	\$4.88 bn
Fund commenced	04 March 2003
Minimum investment	A\$10,000 or NZ\$10,000
Regular Investment Plan	A/NZ\$5000 plus A/NZ\$200 mth/qrt
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App – 3.2016 Red – 3.1856
Unit prices P Class	App – 1.1514 Red – 1.1456

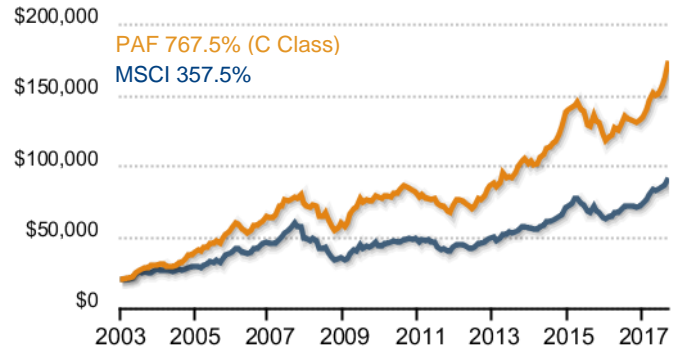
**Performance<sup>1</sup>**

	P Class %	C Class %	MSCI %
1 month	7.70	7.86	7.16
3 months	14.91	15.74	10.36
6 months		19.44	15.42
Calendar year to date		33.31	29.47
1 year		31.27	29.43
2 years (compound pa)		13.35	13.72
3 years (compound pa)		14.22	13.92
5 years (compound pa)		18.07	15.25
7 years (compound pa)		10.72	9.66
10 years (compound pa)		8.33	4.47
Since inception (compound pa)*	14.85	15.88	10.93

**Fees**

Entry fee	Nil	
Buy/sell spread	0.25%/0.25%	
Fee:	C Class	Investment Management 1.35% p.a. Investment Performance N/A
	P Class	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.*

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

**Performance graph<sup>2</sup>**

**Invested positions<sup>3</sup>**

	LONG %	NET %	CURRENCY %
China	11.3	11.3	13.8
China Ex PRC	44.4	44.4	
Hong Kong	3.1	3.1	35.8
Taiwan	2.1	2.1	2.2
India	10.9	10.9	11.5
Indonesia	0.4	0.4	0.5
Korea	10.2	10.2	10.2
Malaysia	0.5	0.5	0.6
Philippines	3.4	3.4	3.4
Singapore	0.9	0.9	
Thailand	4.7	4.7	4.7
Vietnam	2.4	2.4	2.4
	94.2	94.2	
Australian Dollar			0.3
UK Pound Sterling			0.1
United States Dollar			14.7
Cash	5.8	5.8	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Long - 81 stocks, 3 swaps

**Top ten positions<sup>4</sup>**

STOCK	COUNTRY	INDUSTRY	%
Alibaba Group ADR	China Ex PRC	Info Technology	3.9
Ping An Insurance Grp Co	China	Financials	3.6
Midea Group Co Ltd	China	Cons Discretionary	3.3
Jiangsu Yanghe Brewery	China	Consumer Staples	3.1
Axis Bank Ltd	India	Financials	3.0
China Merchants Bank Co Ltd	China Ex PRC	Financials	3.0
Kasikornbank PCL	Thailand	Financials	2.9
Samsung Electronics Co Ltd	Korea	Info Technology	2.8
Ayala Land Inc	Philippines	Real Estate	2.8
Tencent Holdings Ltd	China Ex PRC	Info Technology	2.5

**Industry breakdown<sup>3</sup>**

SECTOR	LONG %	NET %
Financials	20.6	20.6
Info Technology	18.5	18.5
Cons Discretionary	14.9	14.9
Industrials	8.4	8.4
Consumer Staples	6.8	6.8
Materials	6.4	6.4
Real Estate	5.8	5.8
Energy	4.2	4.2
Health Care	3.1	3.1
Utilities	3.0	3.0
Telecom Services	2.0	2.0
Other	0.6	0.6

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1. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread) for C Class and P Class, and represent the combined income and capital returns for each of these unit classes in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns for P Class are net of any accrued investment performance fee. Investment returns are calculated relative to the MSCI All Country Asia ex Japan Net Index in A\$. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Fund and other risk factors associated with investing, investment returns can be negative (particularly in the short-term). Source: Platinum for Fund returns and RIMES Technologies for MSCI returns. \*The since inception figure for P Class is from 3 July 2017.

2. The investment returns depicted in this graph are cumulative on A\$20,000 invested in the Fund since inception relative to the MSCI All Country Asia ex Japan Net Index in A\$ ("Index"). The investment returns are calculated using the Fund's NAV unit price (C Class). They are net of fees and costs, pre-tax and assume the reinvestment of distributions. 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 to the make-up of the Index. The Index is provided as a reference only. Source: Platinum for Fund returns and RIMES Technologies for MSCI returns.

3. The "Long%" represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives as a % of NAV. The "Net %" represents the exposure of physical holdings and both long and short derivatives. The "Currency %" represents the currency exposure for the Fund as a % of NAV, taking into account currency hedging.

4. Top Ten positions shows the Fund's top long share exposure positions as a % of NAV. Long derivative exposures are included, however, short derivative exposures are not. 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 [www.platinum.com.au/our-funds/platinum-asia-fund/#FundPerformance](http://www.platinum.com.au/our-funds/platinum-asia-fund/#FundPerformance).

Dr. Joseph Lai, Portfolio Manager addressed investors at the Platinum Asia Investments Limited (PAI) AGM on 1 November in Sydney, and made the following key points.

- Despite the rise in Asian stock markets, we continue to find many prospective investments.
- Re-weighting away from India and towards China has aided the performance of the Fund.

Firstly, looking at China, which makes up 61% of the Fund:

- The root of many of the well-documented problems in China stems from an unhealthy link between state owned banks and state owned enterprises.
- This had functioned well, until a few years ago, as China needed the capacity, local governments cheered the employment and economic activity and many officials “did well”.
- It created, however, three big problems.
  1. Too much capacity in the materials industry (steel, cement, etc) depressing profits.
  2. Pollution which led to poor air quality and health problems.
  3. Inferior products due to cost cutting and poor safety controls.
- The vested interests who profited from the status quo resisted change, but this is changing, and this is very significant for us, as investors.
- We are seeing a consolidation of power, and a deepening of reform under President Xi; not being a democracy is helpful here.
- Change is about breaking the nexus between the state owned banks and state owned enterprises.
- There is now a focus on profitability, on the environment, on corruption and on cleaning up the banking system.
- The market is not appreciating the importance of these changes – healthier banks, stronger companies and less pollution. This is showing up here in Australia in resources prices.
- Valuation of strong Chinese companies is attractive even after the market has moved up.
- Key outcome will be economic growth driven by more productive workers – this shows up via investment in infrastructure, technology and education.
  1. Example of infrastructure is a 22,000KM High Speed Rail network that exceeds the rest of the world combined. Similar story across eg roads, subways, water treatment etc. State of the Art investment.
  2. In technology, huge investment in automation and robotics – some factories are almost human free – world leading companies like ZTE and Huawei clustered in Shenzhen.
  3. More than 7 million university graduates per year, more than 2X America, and 50% of them in STEM fueling China’s technology leap forward.
- Future growth to be slower (~6%) but higher quality and services meeting needs of middle class consumers (hundreds of millions of them) will grow multiples of this.

And a brief look at India (now 11% of the Fund):

- Asia’s second biggest market has been terrific but valuations of many stocks expensive, even bubble-like, which has led us to reduce exposure, though there are still some opportunities.
- Banks are very much out-of-favour with loan growth the weakest since 1949 in a system clogged up by bad loans.
- Lack of an effective bankruptcy law until now has been a barrier, and this has changed.
- The pick-up in credit could be explosive after a prolonged malaise and we can pick-up solid banks with competent management on less than 10X earnings.

Elsewhere in the region, highlights include technology leaders in Korea, driven by Samsung Electronics’ OLED screens and smartphones and LG (electric vehicle). We believe North Korean escalation is a low probability event.

Growth in the Philippines, driven by BPO growth and exports out of Thailand into a strong global economy are two key drivers of our ASEAN exposure. All in all, the strategy continues to capitalise on others’ fears.



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