Platinum Asia Fund ARSN 104 043 110

31 December 2018

Facts

Portfolio value	$4.30 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 – 2.3690 Red – 2.3571
Unit prices P Class	App – 0.8458 Red – 0.8415

Fees

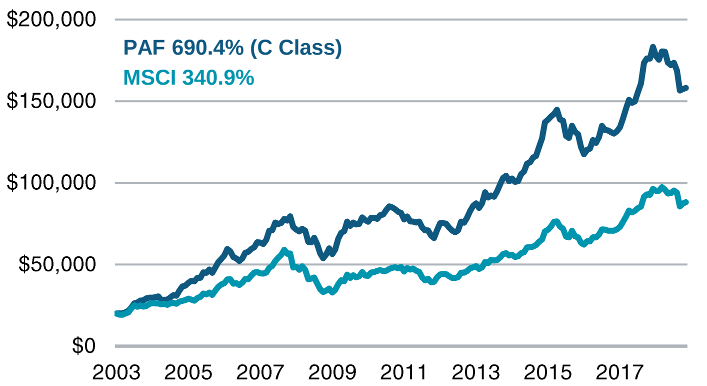
Entry fee		Nil
Buy/sell spread		0.25%/0.25%
Fee:	C Class	Investment Management 1.35% p.a.
		Investment Performance N/A
	P Class	Investment Management 1.10% p.a.
		Investment Performance 15.00% p.a.*

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

Performance[1]

	P Class %	C Class %	MSCI %
1 month	0.48	0.45	0.91
3 months	(6.23)	(6.30)	(6.13)
6 months	(8.83)	(8.95)	(5.64)
Calendar year to date	(9.97)	(10.21)	(4.86)
1 year	(9.97)	(10.21)	(4.86)
2 years (compound pa)		10.22	11.72
3 years (compound pa)		6.80	9.76
5 years (compound pa)		8.67	9.13
7 years (compound pa)		13.25	12.19
10 years (compound pa)		10.89	9.98
Since inception (compound pa)*	3.22	13.95	9.83

Performance graph[2]



Top ten positions[4]

STOCK	COUNTRY*	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.7
Tencent Holdings Ltd	China	Communication Serv.	3.1
Kasikornbank PCL	Thailand	Financials	3.0
Axis Bank Ltd	India	Financials	2.7
Ayala Land Inc	Philippines	Real Estate	2.4
Alibaba Group	China	Cons Discretionary	2.4
Naver Corporation	Korea	Communication Serv.	2.1
Reliance Industries Limited	India	Energy	2.0
AIA Group Ltd	Hong Kong	Financials	2.0
Anta Sports Products Ltd	China	Cons Discretionary	2.0

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

Industry breakdown[3]

SECTOR	LONG %	NET %
Financials	20.8	20.8
Communication Services	10.6	10.6
Cons Discretionary	8.7	8.7
Industrials	7.9	7.9
Energy	6.0	6.0
Consumer Staples	4.7	4.7
Real Estate	4.5	4.5
Info Technology	4.1	3.2
Health Care	2.3	(0.8)
Other	1.9	1.9
Materials	1.7	1.7
Utilities	1.0	1.0

Invested positions[3]

	LONG %	NET %	CURRENCY %
China	9.5	9.5	15.3
China Ex PRC	23.5	21.9	
Hong Kong	4.5	4.5	26.7
India	16.0	15.1	16.9
Korea	11.4	9.9	9.9
Malaysia	0.5	0.5	0.5
Philippines	2.6	2.6	2.6
Thailand	4.4	4.4	4.4
Vietnam	2.0	2.0	2.0
	74.3	70.2	
Australian Dollar			1.1
China Renminbi Off Shore			(20.2)
UK Pound Sterling			0.1
United States Dollar			40.9
Cash	25.7	29.8	
Total	100.0	100.0	100.0

Long - 66 stocks, 1 swap Short - 4 stocks, 1 index

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) 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. 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 Fund'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 the Fund's net asset value. The "Currency %" represents the effective currency exposure of the Fund's portfolio as a percentage of the Fund'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 the Fund's top ten long positions as a percentage of the Fund's net asset value. Direct securities holdings and long stock derivatives are included. However, short stock derivatives are not included.

Market update and commentary

With the US market free-fall dominating media coverage in December, it may be a surprise that Asian markets, and the Fund, had their second (small) positive months in a row. It does not eliminate a tough quarter, but could be the first green shoots. Losses were dominated by Chinese holdings over the quarter, with Korea also suffering, but our Indian holdings have made a meaningful positive impact as the government took steps to encourage bank lending and boost the economy ahead of general elections.

China has loosened financial conditions significantly, but this is yet to feed through to its economy and in turn the rest of the globe. This follows a substantial tightening in 2017; capacity closure in heavy industry, diminished investment in infrastructure, restrictions on lending to the consumer and small-to-medium-enterprises, before we had to deal with the impact of trade disruption.

Chinese authorities have cut banking reserve requirements and increased liquidity, indicated via Shibor (Shanghai Interbank Offered Rate). Effective tax rates have been lowered, the impact of which is in the order of 1.5% of GDP (source: Cornerstone Macro). Note, they are not borrowing excessively to build infrastructure as in times past, and continue to reform their economy.

One should expect China's policy responses to lead to increased economic activity in coming months with a lag. It is not clear that any definite signal of an uptick will be apparent in data until after Chinese New Year in February. Data to November and December reflect a moderate slowdown in activity. China's December manufacturing PMI fell to 49.4 from 50.0 in November, with 50 being a neutral reading.

In November, Chinese industrial production had grown 5.4% y/y, industrial sales for export grew 7.6% y/y while fixed asset investment grew 7.7% y/y (source: CICC). Average new house prices in China rose 0.9% m/m in November following a 1.0% gain in October (source: Reuters).

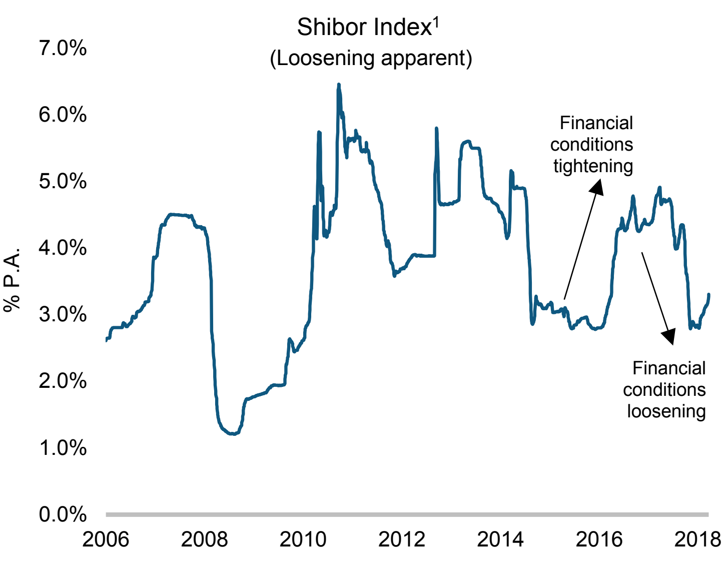
Trade tensions remained apparent, albeit with some signs of concession on China's side. Notably, a Wall Street Journal report in December indicated an easing back on the 'Made in China 2025' campaign, delaying some targets in its strategy to dominate high-end technologies.

Contrary to rhetoric, the US is not "winning the trade war": everyone is losing. The US trade balance has deteriorated over 2018 and export PMIs have collapsed globally, including in the US.

To understand why, imagine you run supply lines for a firm in Hamburg, Seattle or Guangzhou. You don't know what tariffs will apply on 1 January 1 2019 or 1 February 2019 or 1 March 2019! This remained unclear after the G20 détente between Xi and Trump; the uncertainty is affecting supply lines globally. Now imagine being the CFO of the same firm – should you abandon current, highly efficient supply lines in China and invest in capacity in Vietnam, Cambodia or Bangladesh? You don't know if tariffs are permanent or a temporary bargaining chip, making long-term decisions difficult too.

Perhaps this is all masterful positioning ahead of negotiations, but a simpler explanation is that it is politicking. We would note that this is a headwind for global profit growth, given the long, intricate supply lines of large companies. This impacts companies in Europe, the US and throughout Asia.

For more detail on the portfolio's activity and positioning, the Quarterly Report will be available on our website from 14 January.



1. Source: FactSet

2. Source: MSCI, Credit Suisse. Correct as at 24/12/2018.