Platinum Asia Fund ARSN 104 043 110

31 August 2019

Facts

Portfolio value	$4.46 bn
Fund commenced	04 March 2003
Minimum investment	A$10,000 or NZ$10,000
Regular Investment Plan (min.)	A/NZ$5000 plus A/NZ$200 mth/qtr
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Unit prices C Class	App - 2.4702 Red - 2.4603
Unit prices P Class	App - 0.8766 Red - 0.8731

Fees

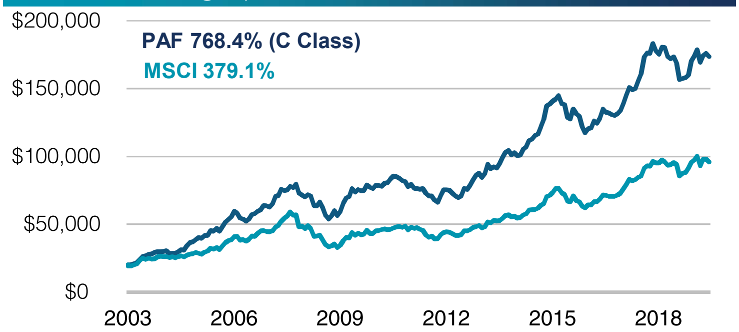
Entry fee		Nil
Buy/sell spread		0.20%/0.20%
Fee:	C Class	Investment Management 1.35% p.a.
		Investment Performance N/A
	P Class	Investment Management 1.10% p.a.
		Investment Performance 15.00% p.a.*

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

Performance [1]

	C Class %	P Class %	MSCI %
1 month	(1.35)	(1.33)	(2.18)
3 months	2.51	2.56	2.95
6 months	1.96	2.08	0.23
Calendar year to date	9.86	10.03	8.65
1 year	0.10	0.34	0.54
2 years (compound pa)	5.65	5.51	6.44
3 years (compound pa)	8.79		10.25
5 years (compound pa)	9.06		9.60
7 years (compound pa)	13.64		12.39
10 years (compound pa)	8.96		8.66
Since inception (compound pa)*	14.00	6.84	9.96

Performance graph [2]



Invested positions [3]

	Long %	Short %	Net %	Currency %
Asia-Pacific	77.7	(0.6)	77.1	44.9
China	2.2		2.2	12.7
China Ex PRC	38.0		38.0	
Hong Kong	7.0		7.0	31.4
Taiwan	4.0		4.0	4.1
India	9.3	(0.6)	8.7	10.2
Korea	7.8		7.8	7.8
Malaysia	0.4		0.4	0.4
Philippines	2.6		2.6	2.6
Thailand	3.7		3.7	1.0
Vietnam	2.8		2.8	2.8
Australian Dollar				0.8
China Renminbi Off Shore				(28.8)
North America	0.1		0.1	55.0
United States	0.1		0.1	55.0
Europe				0.1
UK Pound Sterling				0.1
Sub-Total	77.8	(0.6)	77.3	100.0
Cash	22.2		22.7	
Total	100.0		100.0	100.0

Long - 56 stocks, 1 swap Short - 1 index

Top ten positions [4]

Stock	Country	Industry	%
Alibaba Group Holding Ltd	China	Cons Discretionary	6.7
Tencent Holdings	China	Comm Services	5.0
Taiwan Semiconductor	Taiwan	Info Technology	4.0
Samsung Electronics Co Ltd	Korea	Info Technology	3.9
Yum China Holdings	China	Cons Discretionary	3.4
Meituan Dianping	China	Cons Discretionary	3.1
AIA Group Ltd	Hong Kong	Financials	3.0
Ping An Insurance	China	Financials	2.9
Vietnam Enterprise	Vietnam	Other	2.7
Kasikornbank PCL	Thailand	Financials	2.7
		Total	37.5

Industry breakdown [3]

Sector	Long %	Short %	Net %
Consumer Discretionary	20.4		20.4
Communication Services	15.3		15.3
Financials	14.7		14.7
Info Technology	11.2	(0.6)	10.7
Real Estate	5.2		5.2
Industrials	5.0		5.0
Other	2.7		2.7
Health Care	1.9		1.9
Materials	0.7		0.7
Utilities	0.6		0.6
Energy	0.0		0.0
Consumer Staples	0.0		0.0

1. & 2. Source: Platinum for Fund returns and Factset Research Systems 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 (as indicated), 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$. Since inception date for C Class is 04/03/03 and for P Class is 03/07/17. Since inception date of C Class has been used for the purposes of calculating since inception returns of the index. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class units in the Fund since the C Class inception date. Past performance is not a reliable indicator of future returns. Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only.

3. The "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio, taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. For the "Industry breakdown", index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".

3. and 4. China generally refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC generally refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies.

4. The "Top ten positions" show the Fund's top ten long securities positions as a percentage of the market value of the Fund's portfolio (including long securities and long securities derivative positions).

- Given broad market weakness we have been able to buy some of the world's best businesses in China.
- The Chinese economy looks sluggish but far from collapse; reform and stimulus continue.
- The Indian market is expensive and its economy has slowed – our holdings there are modest but we will add to our position opportunistically in future

Markets in Asia and the Fund continued to be under pressure in August. During this difficult time for investors, we have responded by upgrading holdings toward higher quality stocks over the last year as we are getting opportunities to buy Asia's best companies at great valuations amid general market weakness. While the names may not be familiar in the West, China's vast and ruthlessly competitive markets has given rise to many of the world's most innovative and fastest growing businesses which current market weakness gives us the chance to own at attractive valuations.

The investment case behind our Hong Kong holdings such as AIA, relate to Chinese growth. These are not businesses with large direct exposure to the Hong Kong's economy amid the disruption of demonstrations.

China's economy is showing signs of a modest rebound from monetary and fiscal tightness (see Chart 1, the OECD's lead indicator). China's tightness proved to be a policy mistake once the trade war compounded the effects of policy over the last 18 months (see Chart 2, the fiscal impulse chart). It appears now that the fiscal tightening by both the Chinese authorities and the US Federal Reserve in 2018 was a mistake. Monetary officials in both countries appear not to have appreciated the depth of the trade war with which they were to be confronted – recall the Federal Reserve's "dot plot" as of June 2018: as additional tariffs were about to go into effect, it indicated four rate hikes in 2019 (Source:https://www.cnbc.com/2018/06/13/federal-reserve-dot-plots-june-2018.html).

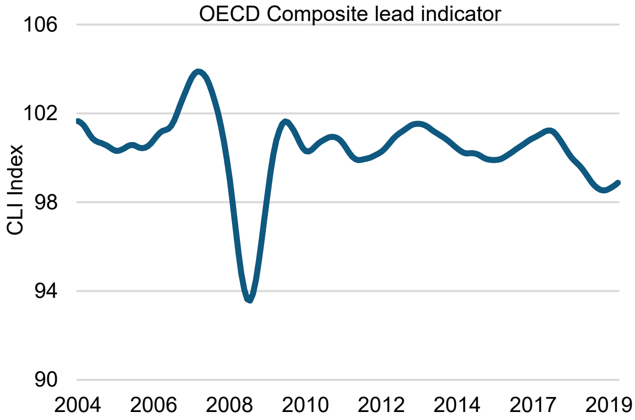
Perhaps given the conduct of trade policy by tweet, they can be forgiven.

China's monetary and fiscal response to trade threats and a slowing economy has been measured. It is unlikely there will be a deluge of money supply growth and infrastructure spending, as in 2009 to 2011. However there is meaningful micro-economic reform and a modest stimulus program underway in China. For example, late in August, twenty stimulus measures were announced, including cutting red tape on permits for smaller businesses; urban infrastructure upgrades, such as renovating jaded shopping streets and under-utilised factory sites; lowering fees, e.g. merging commercial and residential electricity tariffs, in effect lowering power prices; and R&D tax rebates (Source:http://www.gov.cn/zhengce/content/2019/08/27/content_5424989.htm).

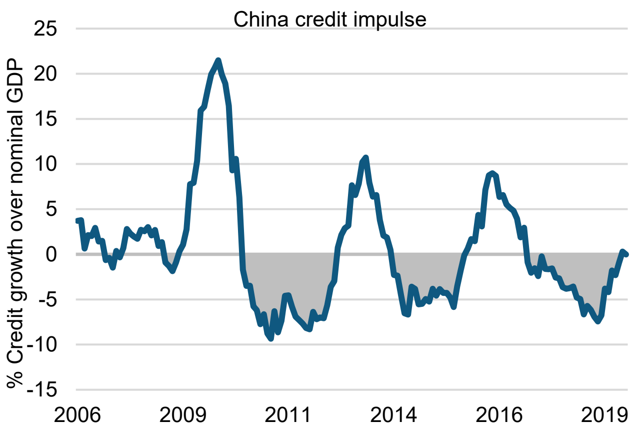
On 4 September, Chinese premier, Li Keqiang, reiterated a commitment to China's efforts to stabilise the economy, such as reserve ratio requirement cuts in the banking system, and boosting infrastructure spending by local governments (Source: CICC).

Elsewhere in Asia the Indian economy has slowed significantly, posting GDP growth of 5% (real) p.a. in the June quarter, down from 8% p.a. in the first half of 2018 (Source: FactSet). We have maintained modest exposure to India in recent years given a deeply negative credit cycle and disruptive reforms, preferring the far larger and cheaper Chinese equity market. India's economic story remains exciting – strong workforce growth, infrastructure build-out, profound economic reforms which will be beneficial in the long term, and an administration that is avoiding past Indian governments' penchant for corruption. However, it seems to us to be most investors' emerging market darling and this is reflected in valuations. And while India's equity market is not cheap at the aggregate level at 17.2 times forward earnings, the reality is that quality companies are scarce and trade at very large premiums – for instance, Hindustan Unilever trades at 52 times forward earnings (Source: FactSet).

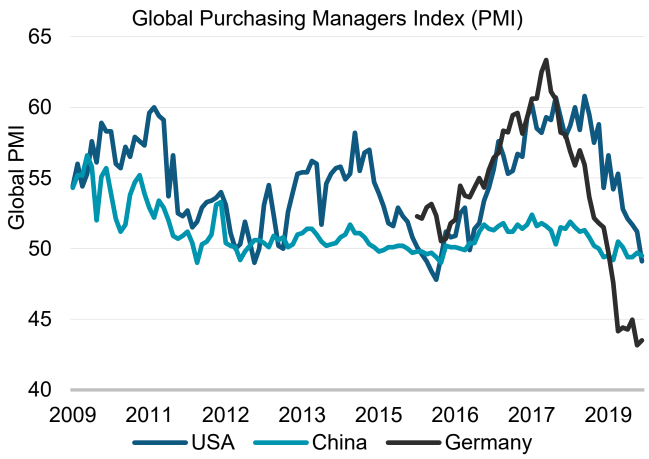
We remain well exposed to markets, while preserving some cash as a buffer and to allow for opportunistic purchases. Our outlook for the near term can be described as cautiously optimistic, and for the long term, outright optimistic, given prevailing valuations and the fundamentals of the businesses we own. Given the quality of the businesses we own in Asia and the valuations afforded there, we believe investors will be rewarded for staying the course. Amid dollar strength, trade uncertainty and an apparent global industrial recession, Asian equities are trading at significant discounts to value in our view. And the longer term story remains attractive: growing economies, high savings rates, investment in education and infrastructure and commitment to market based economies. Further, if investors are worried regarding the trade war, they might do well to note that industrial indicators for the developed West are now weaker than in China (see Chart 3, Global PMIs).



Source: Chart 1 – OECD, Correct as at 31 Jul 2019.
https://data.oecd.org/leadind/composite-leading-indicator-cli.htm



Source: Chart 2 – Bloomberg, Correct as at 31 July 2019.



Source: Chart 3 – FactSet.