Platinum Asia Fund ARSN 104 043 110

31 March 2020

Facts

Portfolio value	$4.32 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 - 2.6403 Red - 2.6297
Unit prices P Class	App - 0.9375 Red - 0.9337

Fees

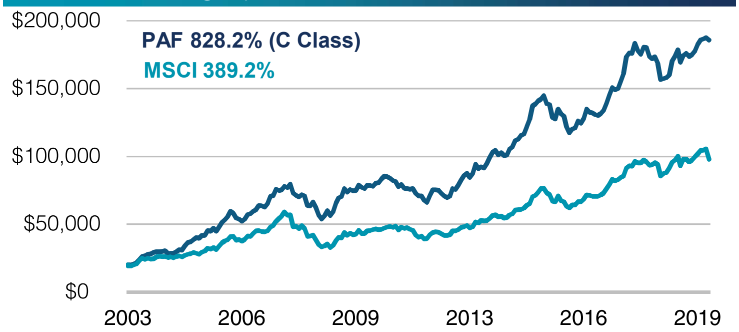
Entry fee		Nil
Buy/sell spread		0.20%/0.20%
Fee:	C Class	Investment Management 1.35% p.a.
		Investment Performance N/A
	P Class	Investment Management 1.10% p.a.
		Investment Performance 15.00% p.a.*

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

Performance [1]

	C Class %	P Class %	MSCI %
1 month	(1.03)	(1.10)	(7.36)
3 months	(0.14)	(0.18)	(6.26)
6 months	5.98	6.00	0.54
Calendar year to date	(0.14)	(0.18)	(6.26)
1 year	6.69	6.85	0.46
2 years (compound pa)	2.88	3.08	1.40
3 years (compound pa)	10.08		8.76
5 years (compound pa)	5.70		5.93
7 years (compound pa)	11.87		10.97
10 years (compound pa)	8.97		8.06
Since inception (compound pa)*	13.94	7.96	9.74

Performance graph [2]



Invested positions [3]

	Long %	Short %	Net %	Currency %
Asia-Pacific	78.2	(10.0)	68.2	69.0
China	10.9		10.9	10.7
China Ex PRC	40.6		40.6	
Hong Kong	6.5		6.5	31.3
Taiwan	6.5		6.5	6.4
India	3.6	(4.0)	(0.5)	(0.3)
Korea	8.0		8.0	7.5
Philippines	0.1		0.1	0.1
Singapore		(3.0)	(3.0)	0.7
Thailand		(3.0)	(3.0)	0.4
Vietnam	2.1		2.1	2.1
Australian Dollar				10.2
North America				31.0
United States Dollar				31.0
Sub-Total	78.2	(10.0)	68.2	100.0
Cash	21.8	10.0	31.8	
Total	100.0		100.0	100.0

Long - 44 stocks Short - 3 indices

Top ten positions [4]

Stock	Country	Industry	%
Tencent Holdings	China	Comm Services	5.6
Alibaba Group Holding Ltd	China	Cons Discretionary	5.4
Taiwan Semiconductor	Taiwan	Info Technology	5.0
Samsung Electronics Co Ltd	Korea	Info Technology	4.9
AIA Group Ltd	Hong Kong	Financials	4.2
JD.com Inc	China	Cons Discretionary	3.2
Reliance Industries Ltd	India	Energy	3.2
China International	China	Cons Discretionary	2.9
Inner Mongolia Yili	China	Consumer Staples	2.6
Anta Sports Products	China	Cons Discretionary	2.5
		Total	39.4

Industry breakdown [3]

Sector	Long %	Short %	Net %
Consumer Discretionary	26.7		26.7
Info Technology	17.0		17.0
Communication Services	9.5		9.5
Financials	7.5		7.5
Consumer Staples	4.3		4.3
Energy	3.2		3.2
Industrials	2.8		2.8
Real Estate	2.2		2.2
Health Care	1.6		1.6
Materials	1.3		1.3
Other	2.1	(10.0)	(7.9)

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 geographic “Long %” is the exposure to long securities and long securities/index derivative positions, the geographic “Short %” is the exposure to short securities and short securities/index derivative positions and the geographic “Net %” is the difference between the geographic “Long %” and the geographic “Short %”, 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. The cash “Long %” includes cash at bank, cashflows expected from forwards and effective cash exposures resulting from long securities/index derivative positions, the cash “Short %” includes effective cash exposures resulting from short securities/index derivative positions and the cash “Net %” is the difference between the cash “Long %” and the cash “Short %”, each as a percentage of the market value of the Fund’s portfolio. 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).

- Thanks to cash, shorts and FX we were able to protect capital in March
- Our pivot to higher quality names rather than economic leverage in Asia assisted in protecting capital.
- High quality names in our view are not crowded given Asia's lack of global investor ownership.

The Fund turned in a pleasing performance amid weak equity markets in Asia over the last month and quarter. We have been active in trimming and adding to positions, adding and closing shorts – as we have mentioned previously such market conditions require nimbleness.

However, perhaps the main reason for the Fund's ability to protect capital in the current environment is that we made the decision to remove economic leverage from the portfolio over the last 18 months amid weakening economic conditions. We are afforded the luxury in Asia, especially in China, of owning high-quality companies at reasonable valuations, which are not crowded, in our view.

Some background may aid understanding. Coming into 2018, it is fair to say we were wrong-footed by the severity of the impact of the trade war between the USA and China, coupled with tightening monetary policy in the US and lack of fiscal impulse in China. Where we anticipated a continuation of late cycle growth with mild inflation and steady or falling real rates as policy makers failed to get ahead of the curve as is usual, we were confronted with a sharply interrupted cycle. As a result, the Fund entered 2018 with nearly 30% of its holdings in highly cyclical companies in materials, industrials and energy (as at the end of January 2018). This turned out to be inappropriate for the new reality of trade war and subdued growth, and led to weak performance by the Fund in 2018 and 2019.

Over the course of 2018 we moved to reduce economic leverage in the portfolio – selling down cyclical holdings and moving funds to cash or to higher quality growth companies. The result is that as at the end of March 2020 we hold only approximately 7% of the Fund in energy, materials and industrials. As a result, while our long positions fell by more than 3% over the month of March, we were able to largely offset this with short sales, short index positions, cash holdings and foreign exchange gains (from US dollar holdings).

As China is one of the cheapest equity markets in the world (see the accompanying PE chart) and in our view is not at all widely owned by global investors, we have been able to rotate into high quality businesses without fear of being trapped in crowded trades which can de-rate significantly during trying times such as now prevail. That said, the portfolio is characterised by holding well-known names, and its average price/earnings ratio is high at approximately 21 times trailing earnings.

We anticipate that once investor appetite for risk improves, perhaps with stabilisation of global Covid-19 cases, emerging markets may see increasing investor interest. Our experience in the 2015-2017 period is instructive here. Large cap names led non-Japan Asia as global investors re-entered the region via index tracking products and by buying familiar companies. It was only once a global "risk-on" appetite was firmly established that truly value, cyclical names outperformed.

Amid this environment two stocks have been added to the top 10 holdings in the Fund in March. both are high quality Chinese names which we have owned and been familiar with for years. We added significantly to our holding in online retail giant JD.com during March, seeing it as a beneficiary of the lockdown in China. And we added to Anta Sports, as the share price weakened significantly on investor concerns arising from "short notes" which we see as misplaced as regards Anta's business.

Having sought to protect capital, we must now seek to grow it, as uncomfortable as that may feel. As result we have added exposure to markets over the last month, with our net exposure to markets lifting from approximately 54% at the end of February to 68% at the end of March.

Source: Chart 1 – IBES consensus, in local currency. Correct as at 5 April 2020.

Source: Chart 2 – IBES consensus, in local currency. Correct as at 5 April 2020.

Charts 1 and 2 show valuations based on sell-side consensus estimates. It is worth noting at this stage, that these earnings forecasts will almost certainly come down substantially to reflect the impact of coronavirus-related slowdown in the global economy.

Please visit the Journal section of our website for regular updates: www.platinum.com.au/Insights-Tools/The-Journal.
Quarterly Report will be available online next week.