Platinum Asia Fund ARSN 104 043 110

31 May 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 - 2.6711 Red - 2.6604
Unit prices P Class	App - 0.9462 Red - 0.9424

Fees

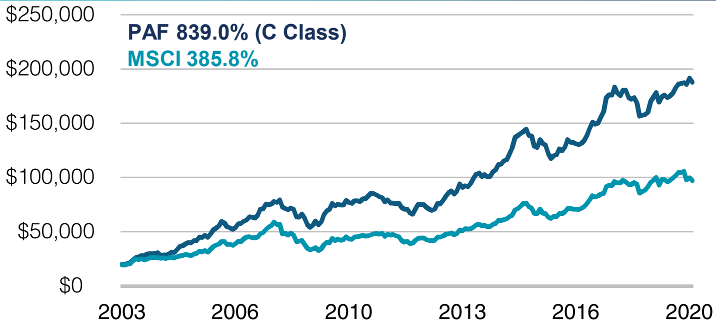
Entry fee		Nil
Buy/sell spread		0.20%/0.20%
Fee:	C Class	Investment Management 1.35% p.a.
		Investment Performance N/A
	P Class	Investment Management 1.10% p.a.
		Investment Performance 15.00% p.a.*

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

Performance [1]

	C Class %	P Class %	MSCI %
1 month	(1.99)	(2.01)	(2.52)
3 months	0.13	(0.18)	(8.00)
6 months	2.79	2.53	(4.47)
Calendar year to date	1.02	0.75	(6.91)
1 year	10.85	10.70	4.39
2 years (compound pa)	2.06	2.12	0.67
3 years (compound pa)	7.58		5.35
5 years (compound pa)	5.35		4.91
7 years (compound pa)	10.35		9.47
10 years (compound pa)	9.19		7.73
Since inception (compound pa)*	13.87	7.83	9.60

Performance graph [2]



Invested positions [3]

	Long %	Short %	Net %	Currency %
Asia-Pacific	87.0	(4.9)	82.1	98.4
China	48.3		48.3	48.5
Hong Kong	6.2	(4.9)	1.3	6.9
Macao	1.0		1.0	1.0
Taiwan	8.6		8.6	8.5
India	5.8		5.8	6.0
Korea	12.5		12.5	12.5
Thailand	2.0		2.0	2.0
Vietnam	2.6		2.6	2.6
Australian Dollar				10.2
Singapore Dollar				0.4
North America	0.1		0.1	1.6
United States	0.1		0.1	1.6
Sub-Total	87.1	(4.9)	82.2	100.0
Cash	12.9	4.9	17.8	
Total	100.0		100.0	100.0

Long - 48 stocks Short - 1 index

Top ten positions [4]

Stock	Country	Industry	%
Alibaba Group Holding Ltd	China	Cons Discretionary	6.3
Samsung Electronics Co Ltd	Korea	Info Technology	6.3
Taiwan Semiconductor	Taiwan	Info Technology	5.7
Tencent Holdings	China	Comm Services	5.2
AIA Group Ltd	Hong Kong	Financials	3.7
Reliance Industries Ltd	India	Energy	3.5
China International	China	Cons Discretionary	3.4
LG Chem Ltd	Korea	Materials	3.3
Midea Group	China	Cons Discretionary	3.0
SK Hynix Inc	Korea	Info Technology	2.9
		Total	43.4

Industry breakdown [3]

Sector	Long %	Short %	Net %
Consumer Discretionary	29.5		29.5
Info Technology	20.3		20.3
Communication Services	8.8		8.8
Financials	7.0		7.0
Consumer Staples	5.5		5.5
Energy	3.5		3.5
Materials	3.4		3.4
Industrials	2.9		2.9
Real Estate	2.2		2.2
Health Care	1.3		1.3
Other	2.6	(4.9)	(2.3)

NB: With effect from 31 May 2020, our country classifications for securities were updated to reflect Bloomberg's "country of risk" designations, and our currency classifications for securities were updated to reflect the relevant local currencies of our country classifications.

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".

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).

- A weak month in May across Asian markets came in spite of signs of China's recovery.
- Chinese Purchasing Managers' Index (PMI) returns to readings above 50.
- India is in a difficult spot, but we do find stocks to own there – we highlight Reliance.

Asian markets and the Fund had a weaker month in May following strong showings in prior months. Our IT holdings were weak for the month, while consumer discretionary stocks were strong amid increasing confidence about a resumption of activity following the COVID-19 crisis. Our shorts against the Indian market helped slightly over the month, but not enough to offset a negative absolute return for May.

Signs are apparent that China's stimulus is having an impact. China's truck crane sales grew 32% versus a year ago in April, while China's heavy-duty truck sales grew 62% versus a year ago in May, after being up 61% YoY in April (Source: Morgan Stanley). Inventories of key commodities such as copper are low (Source: Bloomberg) and capacity utilisation in oil refineries and copper wire fabricators is high (Source: Bernstein). Caixin reported in early June that China's services PMI had returned to expansion for the first time since January and that the country's composite PMI was 54.5, versus 47.6 in April, with readings over 50 indicating expansion (Source: Reuters).

Data from Bernstein indicate recovery on the consumer side of the economy and sharply changed consumer behaviour in China. Auto sales volume was up by 25% versus the prior year in the week to 25 May. Baidu Search volumes for both premium and mass auto brands were higher than levels at the end of the December quarter of 2019 (the last quarter unaffected by COVID-19). On the other hand, search volumes for ride-sharing service, Didi remained 24% lower than average December quarter levels and passenger movements on urban subways remain down 34% on a year ago. Other data from Bernstein indicate that consumer durables volumes are up versus a year ago, perhaps reflecting the release of pent-up demand from the lockdown period.

During May, Chinese tech giant, Tencent reported results for the three months to 31 March and its results were impressive. Revenue grew 26% and operating profit was up 25% versus a year ago, company filings indicate. The combined monthly average users of the company's key platforms, Weixin and WeChat, was 1.2 billion people (versus 1.1 billion one year ago). Management indicated that WeChat's daily commercial transaction value in the last week of April recovered to be equal to the levels of late 2019, evidence of the ongoing consumer recovery in China (as well as some likely share gains for Tencent versus cash and other forms of payment).

During May, Indian equities received a boost from the announcement on 12 May of a close to 10% of GDP economic stimulus package from the Modi administration (Source: Economic Times of India). We view this as a positive, but are far from wild with excitement about the details. The non-bank financial sector in India has very serious asset quality problems and the package which addresses this important sector amounts to perhaps 2% of the sector's asset base on our analysis. There are concessionary loans to individuals on offer, assistance to power distribution firms, a move to pay immediately all outstanding income tax returns and a 25% cut to income tax. These are all useful measures, but we see them as inadequate to address the challenges of a financial system struggling with poor asset quality and an economy and society poorly placed to deal with the challenges presented by COVID-19. All that said, we buy businesses not economies and we do find discrete companies in India attractive: Reliance is a key example.

Reliance is a $200bn market cap Indian conglomerate which operates the largest single site oil refinery in the world at Jamnagar and is building out a communications and e-commerce empire. Reliance's telecommunications arm, Jio, has 370mn subscribers. Facebook recently acquired a 9.9% stake in Reliance's e-commerce arm, Jio Platforms, for US$5.7bn. The company has hitherto carried a heavy debt load, but asset sales, equity sell-downs and India's largest ever rights issue completed recently have helped address this. Reliance is a huge company of bold ambition and one of the most interesting opportunities in the region. It is currently on a PE of 21 times (Source: FactSet), but with businesses that are early stage and loss making. We believe we are paying a modest multiple of forward earnings to own this Indian behemoth.

Source: Chart 1 – IBES consensus, in local currency. Correct as at 4 June 2020.

Source: Chart 2 – IBES consensus, in local currency. Correct as at 4 June 2020.

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