Platinum Asia Fund

Joseph Lai
Portfolio Manager

Performance

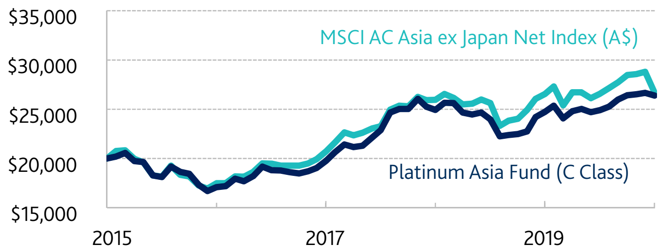
(compound p.a.+, to 31 March 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	0%	7%	10%	6%	14%
MSCI AC Asia ex Jp Index^	-6%	0%	9%	6%	10%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 4 March 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet.
Historical performance is not a reliable indicator of future performance.
See note 1, page 5. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2015 to 31 March 2020



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet.
See notes 1 & 2, page 5.

The Fund delivered a flat return over the quarter reflecting actions taken to protect the portfolio in what was a highly volatile period.

There was an interesting divergence in performance across markets during the quarter. Those governments that recognised the threat of the COVID-19 outbreak early and took the necessary steps to manage the situation, saw their markets outperform over those that were less able to do so.

China responded quickly and contained the spread of the virus and its market significantly outperformed most major markets elsewhere, falling only 10% in local currency terms for the quarter. Other regions managing the contagion well, include Hong Kong (-16%), Taiwan (-19%) and Korea (-19%). South Asian markets fared considerably worse with India, Thailand, Philippines and Indonesia down around 30%, reflecting an expectation of more difficult times ahead.[1]

Our protection strategies included a basket of shorts on a range of stock market indices and increasing cash holdings, which generated returns of 27% and 12% respectively in Australian dollar (AUD) terms over the period. Although pre-emptive actions to liquidate many of the Fund's South Asian exposures were taken, stocks in this region still detracted from performance. These included **Vietnam Enterprise Investments**, **Ashok Leyland** (Indian truck manufacturer) and **Kasikornbank** (Thai Bank). The China portfolio within the Fund performed relatively well (returning a flat return in AUD terms over the quarter). Key positive contributors to performance included **Microport Scientific** (leader in advanced medical devices in China) and **Kingsoft** (Cloud and Chinese Office Software) as their position and importance in the technology sector became apparent during the COVID-19 outbreak. A number of our other Chinese stocks also delivered positive returns over the quarter.

1 CSI 300 Index (China); Hang Seng Index; Taiwan TAIEX; KOSPI 200 (Korea); India S&P BSE SENSEX; Thailand SET; Philippines PSE; and Indonesia SE Composite Index respectively. Returns are in local currency terms. Source: FactSet.

Changes to the Portfolio

From our perspective, economic risks emanating from the spread of coronavirus and containment measures instituted were always going to significantly dampen economic activity. In contrast, market sentiment early in the quarter was somewhat complacent. We acted quickly and reduced our net exposure.

By the end of February, the Fund's net invested position was lowered to 54% (from 91% at the beginning of the year) by liquidating positions and putting in place a range of short positions on stock market indices to hedge against market declines.

Exposure to South Asian stocks was drastically reduced, particularly India, with the gross (long) invested position reduced from 11% to 4% over the quarter. The impact of the virus is expected to be greater in countries that lack the economic capacity or organisational ability to contain the spread and deal with the fallout.

China, Korea, Taiwan, Hong Kong and Singapore have shown an incredible ability to contain the spread of this virus within their respective countries. People's lives have returned to various degrees of normalcy. While we reduced exposures to these regions early in the stock market panic, positions in these markets have since been reinstated at more attractive valuations.

Companies we are particularly interested in are those that are investing in research and development (R&D) or infrastructure, can set themselves apart from their competitors, gain market share and become industry champions in due course. Indeed, the economic disruption will undoubtedly lead to bankruptcies of the less well-run companies, leaving those with strong balance sheets and capable management teams to take advantage. We elaborate on investment opportunities in the Commentary below.

Market volatility will likely persist as the economic fallout of the crisis plays out. Accordingly, index shorts will continue to be used to hedge the Fund against this expected volatility.

Commentary

The panic that swept the markets due to COVID-19 was intense, but the path in which this crisis unfolded was predictable.

As we know, the virus is highly contagious leading to an exponential rise in cases. This has inevitably overwhelmed the healthcare system, and the typical response has been to "flatten the curve". To relieve the economic pain, unprecedented levels of monetary and fiscal stimulus were, and continue to be, deployed.

The extent to which an individual country can effectively deal with the virus, essentially depends on the strength of its healthcare system to treat the severe cases and the effectiveness of the government to implement social distancing measures and stimulatory policies.

Disposition of Assets

REGION	31 MAR 2020	31 DEC 2019	31 MAR 2019
China^	51%	46%	43%
Hong Kong	6%	9%	10%
Taiwan	7%	7%	4%
Korea	8%	11%	8%
India	4%	11%	12%
Vietnam	2%	3%	2%
Philippines	0%	3%	3%
Thailand	0%	3%	4%
Cash	22%	8%	13%
Shorts	-10%	-1%	-4%

^ Inclusive of all Mainland China-based companies, both those listed on exchanges within Mainland China and those listed on exchanges outside of Mainland China.
See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2020	31 DEC 2019	31 MAR 2019
Consumer Discretionary	27%	20%	18%
Information Technology	17%	19%	9%
Communication Services	10%	12%	15%
Financials	7%	18%	24%
Consumer Staples	4%	1%	3%
Energy	3%	3%	1%
Industrials	3%	6%	3%
Real Estate	2%	6%	7%
Health Care	2%	2%	2%
Materials	1%	1%	1%
Utilities	0%	0%	1%
Other*	-8%	3%	0%
TOTAL NET EXPOSURE	68%	91%	83%

* Includes index shorts and other positions.
See note 4, page 5. Numerical figures have been subject to rounding.Source: Platinum Investment Management Limited.

It is not conventionally believed that administrative means can effectively control pandemics. In the case of China, it has not only controlled it, but has managed to nearly eradicate the virus through administrative means. It did not just flatten the curve, it decimated it with the number of active cases now close to zero. Almost all new COVID-19 cases in China are imported, with some of the Chinese diaspora returning to a country that is free of the disease to seek testing or treatment.

What has worked in China seems to be working in other countries too, with encouraging results. Curves appear to be flattening in many countries. Much like the Chinese citizens, people in many other countries who are self-isolating at home have increased their activity on social media, gaming and e-commerce sites. Some communities have even been singing to each other from their balconies to connect with people around them.

The Chinese experience perhaps offers a glimmer of light at the end of the tunnel for the world. Activities in China are fast returning to a degree of normalcy – streets are full of cars again, people are strolling in parks, returning to shopping malls and travelling domestically. School is finally restarting, and they may even do away with their masks soon.

Economic activities are picking up after a dismal month in February when the country was effectively shut down for business. The Purchasing Managers' Index, an indicator of future economic activity, bounced back from a low of 36 in February to above 52 in March.[2] A reading above 50 indicates an expansion in economic activity and a reading below 50 indicates a contraction in economic activity.

Coal consumption has recovered. E-commerce volume and express parcel delivery volumes have both fully recovered and are likely to see growth this year compared to last year.

Property sales for listed developers have normalised, as sales offices have re-opened and potential buyers have returned. The authorities have loosened property policies at the margin to give it a helping hand. Construction at most building sites has restarted, with many labourers working extra hard to make up lost ground and meet apartment completion dates.

Most shopping malls and restaurants have re-opened and customers have started to return. KFC in China has re-opened most of its previously closed restaurants and sales are recovering, particularly in the delivery business. Chain supermarket and convenience stores have mostly re-opened and their sales have exceeded levels recorded for the same period last year, as more people are dining at home rather than eating out.

2 Source: FactSet.

Net Currency Exposures

CURRENCY	31 MAR 2020	31 DEC 2019	31 MAR 2019
Hong Kong dollar (HKD)	31%	28%	28%
US dollar (USD)	31%	37%	41%
Chinese yuan (CNY)	11%	9%	17%
Australian dollar (AUD)	10%	0%	0%
Korean won (KRW)	7%	11%	8%
Taiwan dollar (TWD)	6%	7%	3%
Vietnamese dong (VND)	2%	3%	2%
Singapore dollar (SGD)	1%	0%	0%
Thai baht (THB)	0%	3%	4%
Philippine peso (PHP)	0%	3%	3%
Indian rupee (INR)	0%	11%	10%
Chinese yuan offshore (CNH)	0%	-12%	-19%

See note 5, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Tencent Holdings	China	Comm Services	5.6%
Alibaba Group Holding	China	Cons Discretionary	5.4%
Taiwan Semiconductor	Taiwan	Info Technology	5.0%
Samsung Electronics Co	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%

As at 31 March 2020. See note 6, page 5.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/paf.

The China experience is somewhat illustrative of what can be expected if the pandemic can be controlled. Activity can improve to some degree of normalcy, even though a vaccine has not yet been discovered. Over the medium-to-longer term, one can be optimistic. The global effort to develop a vaccine is in earnest and such an intense global scientific effort to find the solution cannot be underestimated.

Outside of Mainland China, perhaps with the benefit of experience in previous viral outbreaks, developed Asia (Korea, Taiwan, Singapore, HK) appears to be handling the containment effort reasonably well, with less draconian measures. This region will likely remain the factory of the world, churning out much-needed medical supplies and ventilators, as well as daily necessities to export to the rest of the world during this time of crisis.

The less-developed South Asian markets may unfortunately fare less well, with limited financial ability to mount an effective response and the eventual burden on their banking systems will be heightened post this episode. Accordingly, we reduced our exposure to this region for now, but we remain believers that the structural underpinning for growth remains firmly intact in the long term. We are using our time now to research and prepare for the plentiful opportunities that will undoubtedly surface.

The new normal that we are living through can present new opportunities. Working from home has led to a new appreciation of moving IT infrastructure to the cloud. Demand for video conferencing and collaborative online tools is exploding all over the world. Many companies are playing catch up and investing in the cloud. Semiconductors (computer chips) are central to enabling these technologies.

We continue to own **Samsung Electronics**, **SK Hynix** and **Taiwan Semiconductors**, which are dominant oligopolistic players in semiconductors, and we are confident they can manage capacity expansion in the unlikely event of weaker demand in this environment. We have also increased our investment in cloud-based companies that we expect will benefit from people working remotely and conducting their meetings via video conferencing, with some of these behaviours permanently entrenched.

Companies with strong brand names in China are likely to continue to maintain their dominance. As China continues to grow, its people will be even more proud of its country, and more importantly, of themselves, especially having worked collectively to successfully combat this virus. The impact of this outbreak may in fact have a galvanising impact on these brands.

Travel-related companies have obviously been impacted heavily in China. We have identified many fast-growing industry champions, characterised by an impeccable management track record and investment in IT infrastructure to deliver a superior travel experience. While the current setback is real, it is also temporary, particularly in the case of China, as the locals will travel again.

Outlook

Valuations in the Asian markets have become even more attractive. The fundamental drivers of economic development in Asia continue to be firmly entrenched in the region.

The effective response of China and other parts of Asia to this pandemic threat is testament to the dynamism of the region. The speed at which the genome of COVID-19 was sequenced and effective containment strategies employed by various North Asian countries reflects their strong penchant for economic and technological advancement. The same robust drivers of efficient and low-cost infrastructure and the coalescing of the population for the common good, is pushing the inexorable rise of the region over the longer term.

It is impossible to know the duration of this biological upheaval, but market gyrations will present more opportunities as the situation changes. We will continue to manage the Fund as we always have and that is to seek out strong businesses with resilient characteristics that are cheap in absolute terms during this time of turmoil, while taking protective measures against market volatility.

Notes

1. Fund returns are calculated using the net asset value (NAV) unit price (which does not include the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns of the stated unit class over the specified period. Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. Fund returns are provided by Platinum Investment Management Limited; MSCI index returns are sourced from FactSet. Platinum does not invest by reference to the weightings of the Index. A Fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index that is used as its reference benchmark. Index returns are provided as a reference only. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term. 2. The investment returns depicted in this graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified net MSCI Index in Australian Dollars.

3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the market value of the Fund's positions, the Fund's effective exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices. "Shorts" relates to the effective exposures to short securities and short securities/index derivative positions.

4. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices.

5. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards, and derivatives. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.

6. The table shows the Fund's top 10 long equity positions as a percentage of the Fund's net asset value, taking into account direct securities holdings and long stock derivatives. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

Disclaimers

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum Asia Fund (the "Fund"). This publication contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. You should read the entire Product Disclosure Statement (including any Supplement(s) thereto) for the Fund ("PDS") and consider your particular investment objectives, financial situation and needs before making any investment decision to invest in (or divest from) the Fund. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 0800 700 726 (within New Zealand) or +61 2 9255 7500, or by emailing to invest@platinum.com.au. You should also obtain professional advice before making an investment decision.

Neither Platinum nor any company in the Platinum Group®, including any of their directors, officers or employees (collectively, "Platinum Persons"), guarantee the performance of the Fund, the repayment of capital, or the payment of income.

The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum). To the extent permitted by law, no liability is accepted by any Platinum Person for any loss or damage as a result of any reliance on this information. This publication reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by any Platinum Person as to their accuracy or reliability. This publication may contain forward-looking statements regarding Platinum's intent, beliefs or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. No Platinum Person undertakes any obligation to revise any such forward-looking statements to reflect events and circumstances after the date hereof. Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

MSCI Disclaimer

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).