



# Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

30 June 2019

## Facts

Portfolio value	\$159.12 mn (Post Distribution)
Fund commenced	12 September 2017
Fund launch	14 September 2017
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Net Asset Value (\$ per unit)	\$4.2118 (Post Distribution)

## Fees

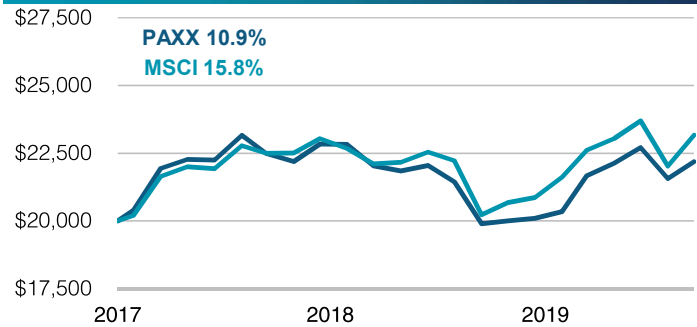
Entry fee	Nil
Buy/sell spread (Platinum Asia Fund)	0.25%/0.25%
Fee:	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.

## Performance <sup>1</sup>

	Fund %	MSCI %
1 month	2.91	5.23
3 months	0.23	0.56
6 months	10.38	11.05
Calendar year to date	10.38	11.05
1 year	0.69	4.79
Since inception (compound pa)	5.94	8.53

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

## Performance graph <sup>2</sup>



## Invested positions of Platinum Asia Fund <sup>3</sup>

	Long %	Short %	Net %	Currency %
<b>Asia-Pacific</b>	<b>80.8</b>	<b>(5.5)</b>	<b>75.3</b>	<b>58.5</b>
China	3.6		3.6	17.5
China Ex PRC	29.9		29.9	
Hong Kong	13.0	(4.5)	8.6	30.9
Taiwan	3.9		3.9	4.1
India	12.0	(1.1)	11.0	12.7
Korea	8.8		8.8	8.8
Malaysia	0.5		0.5	0.5
Philippines	2.7		2.7	(4.8)
Thailand	4.0		4.0	(1.1)
Vietnam	2.4		2.4	2.4
Australian Dollar				2.4
China Renminbi Off Shore				(15.0)
<b>North America</b>	<b>0.1</b>		<b>0.1</b>	<b>41.4</b>
United States	0.1		0.1	41.4
<b>Europe</b>				<b>0.1</b>
UK Pound Sterling				0.1
<b>Sub-Total</b>	<b>80.9</b>	<b>(5.5)</b>	<b>75.4</b>	<b>100.0</b>
<b>Cash</b>	<b>19.1</b>		<b>24.6</b>	
<b>Total</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>

Long - 62 stocks, 1 swap Short - 2 indices

## Top ten positions of Platinum Asia Fund <sup>4</sup>

Stock	Country	Industry	%
Alibaba Group Holding Ltd	China	Cons Discretionary	4.7
Tencent Holdings	China	Comm Services	4.5
Samsung Electronics Co Ltd	Korea	Info Technology	4.2
Taiwan Semiconductor	Taiwan	Info Technology	3.9
AIA Group Ltd	Hong Kong	Financials	3.7
Ping An Insurance	China	Financials	3.7
Meituan Dianping	China	Cons Discretionary	2.9
Kasikornbank PCL	Thailand	Financials	2.9
Axis Bank Limited	India	Financials	2.8
Autohome Inc	China	Comm Services	2.5
<b>Total</b>			<b>35.8</b>

## Industry breakdown of Platinum Asia Fund <sup>3</sup>

Sector	Long %	Short %	Net %
Financials	20.4		20.4
Consumer Discretionary	15.7		15.7
Communication Services	13.9		13.9
Info Technology	11.5	(1.1)	10.4
Real Estate	10.1		10.1
Industrials	3.6		3.6
Health Care	1.6		1.6
Utilities	0.9		0.9
Materials	0.8		0.8
Energy	0.0		0.0
Consumer Staples	0.0		0.0
Other	2.4	(4.5)	(2.1)

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the responsible entity of the Platinum Asia Fund (Quoted Managed Hedge Fund) (the "Fund"). The Fund's latest Product Disclosure Statement (the "PDS") provides details about the Fund. You can obtain a copy of the PDS from Platinum's website [www.platinum.com.au](http://www.platinum.com.au), or by contacting Investor Services on 1300 726 700 (Australian investors only), or 0800 700 726 (New Zealand investors only), or 02 9255 7500, or via [invest@platinum.com.au](mailto:invest@platinum.com.au). This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Platinum does not guarantee the performance of the Fund, the repayment of capital or the payment of income. The market commentary 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 Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by Platinum for any loss or damage as a result of any reliance on this information.

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), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees (including any accrued performance fee) and costs and assume the reinvestment of distributions. 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. 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 Platinum Asia Fund's ("PAF's") net asset value. The "Currency %" is the effective currency exposure of PAF's portfolio as a percentage of its net asset value, 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 PAF's top ten long securities positions as a percentage of PAF's net asset value (including long securities and long securities derivative positions). All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>

This commentary and table relates to the underlying fund, Platinum Asia Fund.

- **We have increased net exposure to markets amid trade détente.**
- **In doing so we have been adding to quality stocks, which remain cheap.**
- **Trade tension is throwing forth some new opportunities.**

Asian markets appear to have responded with a collective sigh of relief to relative calm on the trade front in advance of the G20 meeting in Osaka at the end of June. We have increased exposure to markets significantly from lows of around 60% net invested in May to the current level of approximately 75% net invested as trade threats have subsided. Over the month our shorts detracted from performance, as did several of our Indian financial holdings amid general weakness for financials in India. Over the past year we have suffered on a relative basis by not owning Chinese banks in particular, a segment of the market where we feel the risks do not justify participation.

In adding to exposure in recent weeks we have sought to buy quality – given the attractive starting valuations of quality companies in Asia there is little need to compromise on this front. The stocks we have added to in recent weeks include Ping An Insurance, Alibaba (e-commerce platform), Tencent (value-added services and online advertising), AIA (life insurance), Samsung Electronics and SK Hynix (semiconductors). We believe all of these businesses are excellent value for the high quality inherent in them.

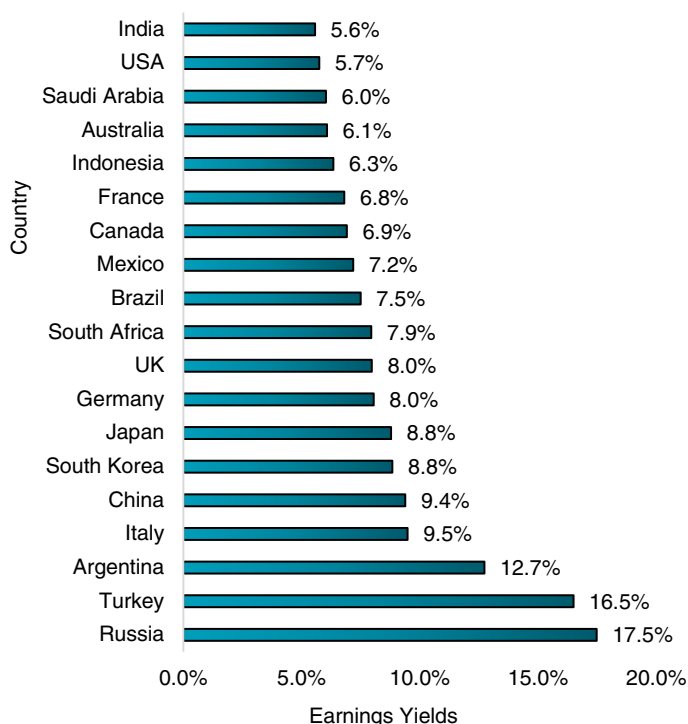
To the extent some of the factories will migrate from China given ongoing trade tension, it will likely be a small loss for China (China is predominantly a domestic economy driven by investment and consumption). However, this may represent large gains for surrounding countries with low labour costs. Vietnam for example, is seeing attractive export growth, in some measure thanks to actual or threatened US tariffs on Chinese manufactures. We added to our positions in Vietnam in recent weeks.

The US government's decision to add Chinese telecommunications company, Huawei, to an "entity list" which prohibits US companies from conducting business with it will benefit others. Samsung Electronics for instance, which is trading at book value and 13 times earnings based on cyclically depressed earnings, offers great value. To the extent that Huawei may lose market share in smartphones in Europe, Samsung is ready to capture it. We added to our position in Samsung in recent weeks.

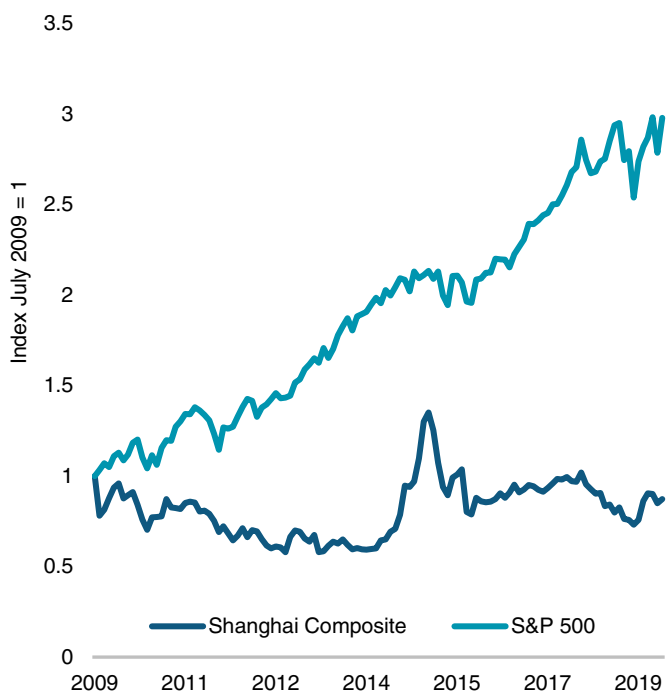
While trade tension may dominate the narrative, China is in fact continuing to open its markets. While we have emphasised the quality of Ping An Insurance in the past, life insurance company AIA is an example of a company that we expect will benefit from China's ongoing, gradual economic opening. AIA operates in five out of the 36 Chinese provinces. It is growing premiums by 25% a year and its expansion into the remaining 31 provinces is likely to see significant growth in future. It has done very well selling quality products that address the needs of customers, as opposed to competitors who have at times used dubious incentives to foist poor quality policies onto customers. We estimate that AIA's earnings will continue to grow at double digits for a long time, and it is trading on 15 times earnings.

Source: Platinum Investment Management Limited and FactSet.

Major market earnings-yields - Next 12 month



Chinese vs US equity market performance over 10 years



Source: MSCI, Credit Suisse. Correct as at 8 July 2019.

Source: Bloomberg. Correct as at 28 June 2019.