



Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

30 November 2019

Facts

Portfolio value	\$151.50 mn
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)	\$4.4175

Fees

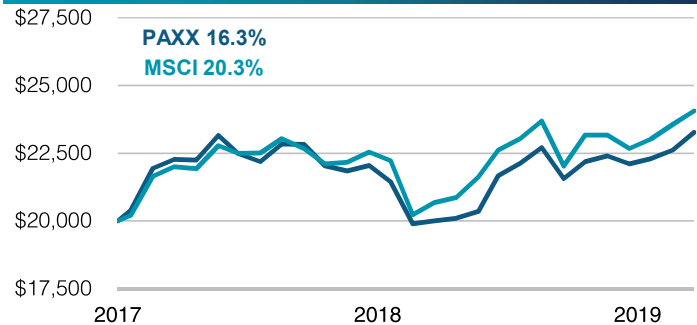
Entry fee	Nil
Buy/sell spread	0.20%/0.20%
(Platinum Asia Fund)	
Fee:	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.

Performance ¹

	Fund %	MSCI %
1 month	2.87	2.11
3 months	5.27	6.14
6 months	7.94	9.27
Calendar year to date	15.77	15.32
1 year	16.30	16.37
2 years (compound pa)	2.21	4.57
Since inception (compound pa)	7.07	8.69

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

Performance graph ²



Invested positions of Platinum Asia Fund ³

	Long %	Short %	Net %	Currency %
Asia-Pacific	88.1	(1.3)	86.9	61.5
China	8.4		8.4	8.5
China Ex PRC	34.9		34.9	
Hong Kong	7.9	(0.8)	7.1	28.0
Taiwan	4.5		4.5	4.5
India	12.4	(0.5)	11.9	12.7
Korea	10.3		10.3	10.3
Malaysia	0.4		0.4	0.4
Philippines	3.0		3.0	3.0
Thailand	3.6		3.6	3.6
Vietnam	2.8		2.8	2.8
China Renminbi Off Shore				(12.2)
North America				38.5
United States Dollar				38.5
Europe				0.1
UK Pound Sterling				0.1
Sub-Total	88.1	(1.3)	86.9	100.0
Cash	11.9		13.1	
Total	100.0		100.0	100.0

Long - 56 stocks Short - 1 swap, 1 index

Top ten positions of Platinum Asia Fund ⁴

Stock	Country	Industry	%
Alibaba Group Holding Ltd	China	Cons Discretionary	5.6
Tencent Holdings	China	Comm Services	5.5
Samsung Electronics Co Ltd	Korea	Info Technology	5.1
AlA Group Ltd	Hong Kong	Financials	4.6
Taiwan Semiconductor	Taiwan	Info Technology	4.5
Midea Group	China	Cons Discretionary	3.7
Ping An Insurance	China	Financials	3.5
Reliance Industries Ltd	India	Energy	3.1
Axis Bank Limited	India	Financials	2.9
SK Hynix Inc	Korea	Info Technology	2.9
Total			41.3

Industry breakdown of Platinum Asia Fund ³

Sector	Long %	Short %	Net %
Consumer Discretionary	19.5		19.5
Financials	17.6		17.6
Info Technology	15.0	(0.5)	14.5
Communication Services	13.6		13.6
Industrials	5.8		5.8
Real Estate	5.5		5.5
Energy	3.1		3.1
Other	2.8		2.8
Health Care	2.1		2.1
Consumer Staples	2.0	(0.8)	1.2
Materials	0.7		0.7
Utilities	0.5		0.5

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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), 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 market value of Platinum Asia Fund's ("PAF's") portfolio. The "Currency %" is the effective currency exposure of PAF's portfolio as a percentage of the market value of its 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 PAF's top ten long securities positions as a percentage of the market value of PAF's portfolio (including long securities and long securities derivative positions).

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

- Solid results for November and an improved 2019 after a difficult 2018.
- The underlying fund has moved from late cycle exposures to quality Asian stories at reasonable valuations.
- Below we examine some key themes in the underlying fund.

Results for the month of November were solid for the underlying fund, led by our Chinese tech holdings such as Alibaba, 58.com, Momo and Tencent, highlighting our efforts to shift from economically sensitive holdings like industrials and materials to more structural and domestic Asian growth companies over the course of 2018 and 2019's broad market sell off in the region. After the strength of the region's markets and pleasing performance by the underlying fund in 2016 and 2017, the cycle was abruptly interrupted by persistent and serious trade uncertainty globally over the course of 2018, the severity and persistence of which we misjudged, with the benefit of hindsight.

We build the underlying fund from the bottom up, one business at time. However, it can be informative to group our holdings by theme for illustrative purposes. At the conclusion of 2019 we have an underlying fund which can be grouped into five main themes, which we outline below.

Chinese technology companies (approximately 22% of the underlying fund's assets):
We own a series of industry champions with large, under-penetrated markets to grow into. These holdings are characterised by revenue and earnings growth rates of 20% a year and higher. Examples include: Momo, which we characterise as the Tinder of China, growing revenues at 25% and on a Price-Earnings multiple of 11x 2020 earnings on our estimates; Meituan Dianping, "the UberEats of China" – growing revenues at 40% compound; and Ctrip, the "Booking.com of China" – growing 20% on 20x Price-Earnings on our estimates. (Source: FactSet).

Semiconductors (approximately 14% of the underlying fund's assets):
Demand for semiconductors continues to grow, especially with the advent of 5G, the iPhone 11, internet of things and cloud computing. This is a cyclical industry and it has been over-supplied since 2018, but the industry has cut back on capacity. This is possible because key semiconductor segments like D-RAM (dynamic random access memory) are now true oligopolies. And Asia is home to many of the dominant companies in semiconductors. The underlying fund owns Samsung, Taiwan Semiconductor and SK Hynix, all of which we view as great value long term holdings trading cheaply on depressed earnings in spite of their high barriers to entry and growth prospects.

Chinese consumer companies (approximately 13% of the underlying fund's assets):
China's enormous domestic purchasing power is fostering world class consumer companies, often highly innovative and generally selling at large discounts to Western peers, despite long runways of growth, rapid household income growth and better household balance sheets. Examples here include: ZTO Express, which is a logistics firm which delivered ten billion parcels in 2019 (Xinhua), is debt free and growing earnings at greater than 10% p.a. as it services China's enormous e-commerce market; Anta Sports, which can be described as "China's Nike", growing earnings at approximately 20% p.a. and on a 25x Price-Earnings in 2020, versus Nike on 27x and slower earnings growth in our view (Source: FactSet).

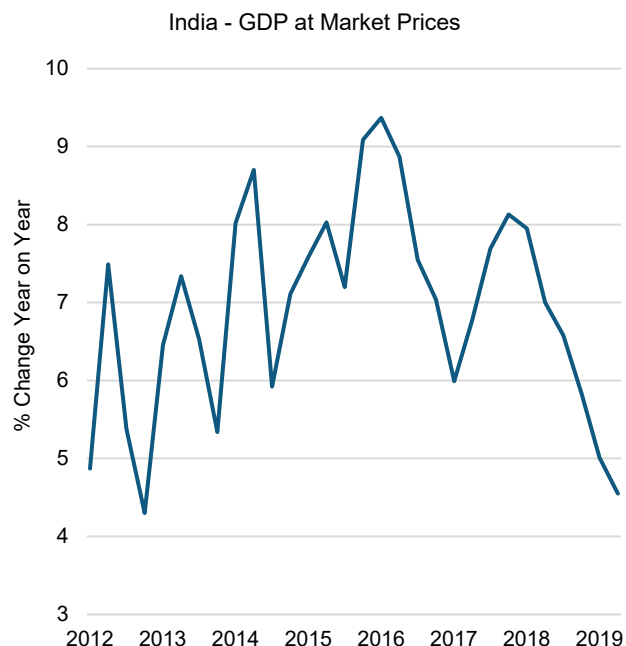
Indian telecommunications and infrastructure (approximately 6% of the underlying fund's assets):

India's economy has weakened notably over the course of 2019 (see chart 1), but remains one of the most expensive markets in the world (see chart 2), with a colossal 5,500 listed companies (Source: CEIC): this means that India has 2.5 times the listed stocks that Australia does, despite its equity market being only 50% larger (Source: Canaccord) – there is a long tail! As a result, we remain cautious on the market as a whole, despite what we see as one of the most attractive long-term economic stories on Earth. Amid this, we have holdings in Indian telecommunications and infrastructure, where we can identify cheap assets that will form the backbone of India's economic future. Holdings like Reliance Industries (oil refining and telecommunications) and Bharti (Airtel (telecommunications)) exemplify this.

Indian financials (approximately 5% of the underlying fund's assets):
On our analysis, India's private sector banks hold approximately 25% market share and are growing at double digit rates in terms of revenue, assets and deposits. A visit to a private sector bank like Axis Bank, which we hold, versus one of the public sector banks in India would reveal why – with the former displaying efficiency and customer service, and the latter demonstrating slovenliness in approach and systemic deficiencies.

Also worthy of mention are our holdings in Chinese healthcare and biotech. This is an emerging space, and we hold approximately 3% of the underlying fund assets in this theme and will likely grow over time, aided by Platinum's Healthcare team.

In conclusion, Asia displays all of the themes that excite investors in the West, but with faster growth, greater investment in infrastructure and education and generally cleaner corporate balance sheets, outside of China's bloated state-owned enterprise sector, which we avoid. And all this at lower valuations. We are confident of earning good returns for our investors as a result.



Source: Chart 1 – Canaccord, Correct as at 30 November 2019.



Source: Chart 2 – FactSet, Correct as at 30 November 2019.