



Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

31 January 2020

Facts

Portfolio value	\$152.72 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)	\$4.5126

Fees

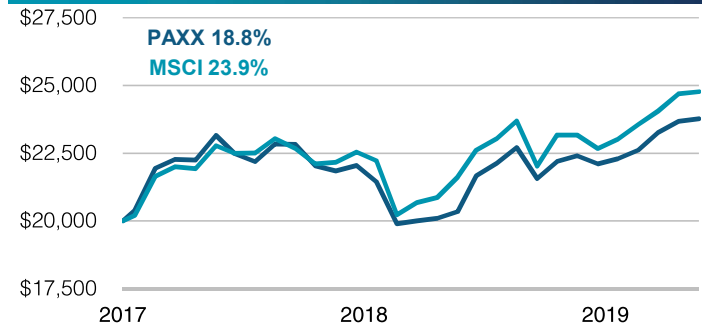
Entry fee	Nil
Buy/sell spread	0.20%/0.20%
(Platinum Asia Fund)	
Fee:	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.

Performance ¹

	Fund %	MSCI %
1 month	0.38	0.33
3 months	5.08	5.14
6 months	6.10	6.91
Calendar year to date	0.38	0.33
1 year	16.81	14.60
2 years (compound pa)	1.31	4.27
Since inception (compound pa)	7.51	9.39

*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	77.7	(3.6)	74.1	56.6
China	9.0	(3.0)	6.0	6.0
China Ex PRC	26.6		26.6	
Hong Kong	7.4	(0.6)	6.8	27.9
Taiwan	7.6		7.6	7.1
India	8.9		8.9	9.7
Korea	9.5		9.5	9.4
Malaysia	0.1		0.1	0.2
Philippines	2.8		2.8	2.8
Thailand	3.2		3.2	3.2
Vietnam	2.6		2.6	2.6
China Renminbi Off Shore				(12.3)
North America				43.3
United States Dollar				43.3
Europe				0.1
UK Pound Sterling				0.1
Sub-Total	77.7	(3.6)	74.1	100.0
Cash	22.3		25.9	
Total	100.0		100.0	100.0

Long - 58 stocks Short - 1 swap, 1 other

Top ten positions of Platinum Asia Fund ⁴

Stock	Country	Industry	%
Taiwan Semiconductor	Taiwan	Info Technology	5.0
AIA Group Ltd	Hong Kong	Financials	3.8
Midea Group	China	Cons Discretionary	3.8
Samsung Electronics Co Ltd	Korea	Info Technology	3.7
Ping An Insurance	China	Financials	3.7
Tencent Holdings	China	Comm Services	2.8
Vietnam Enterprise	Vietnam	Other	2.6
Largan Precision	Taiwan	Info Technology	2.5
Kasikornbank PCL	Thailand	Financials	2.5
Reliance Industries Ltd	India	Energy	2.3
Total			32.8

Industry breakdown of Platinum Asia Fund ³

Sector	Long %	Short %	Net %
Info Technology	16.4		16.4
Financials	15.6		15.6
Consumer Discretionary	15.2		15.2
Communication Services	6.9		6.9
Industrials	5.4		5.4
Real Estate	5.4		5.4
Materials	2.8		2.8
Health Care	2.4		2.4
Energy	2.3		2.3
Consumer Staples	2.2	(0.6)	1.6
Utilities	0.5		0.5
Other	2.6	(3.0)	(0.4)

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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.

Improving economic data in early January saw markets trade positively in Asia, which changed dramatically toward the end of the month given the spread of the novel coronavirus in Wuhan and the response of Chinese authorities (more on this below). We remained very exposed to markets for most of January and thus benefited from investor positivity earlier in the month.

In the last week of January we moved to reduce our net equity exposure, taking it down to mid-70's percent in response to the serious concerns about the coronavirus and its economic impact. This was helpful when the market reopened in the first week of February. In response, we closed shorts and added to quality businesses that had been marked down in the sell-off. If all this sounds fickle – it is! Flexibility is required in times such as this, with serious investor concerns and correspondingly large market moves reflecting those.

As things stand, Chinese authorities' response has been severe, effectively shutting off Wuhan, a city of 11 million people. This appears to have limited the spread of the disease to other parts of China and to other countries. Mortality appears to be low in areas outside of Wuhan, which we interpret to mean that if hospital systems can treat infected patients i.e. they are not overrun with cases, chances of survival may be very good. As always, this must come with a caveat that we are relying on Chinese data, and the situation is evolving. As such we continue to monitor events carefully.

From an investment perspective, the inevitable interruption to Chinese economic activity further heightens our drive to remain in what we consider to be high quality stocks in Asia. The risk here is always that we pay too much and that these positions are overcrowded. We believe we have a margin of safety even in the region's best-known names like Alibaba or Tencent. These trade at discounts comparable to Western peers in our view, and are frequently derided as fraudulent or otherwise unworthy in global financial circles.

Over the month our larger holdings in tech in China did well, notably Tencent and Alibaba, while chip makers Samsung and SK Hynix also contributed strongly (see last month's monthly update for more details on our holdings in chip makers). Poor performers for the month included restaurant stock Yum China, copper miner MMG and job placement company 58.com.

January saw a new company join our top ten holdings – Taiwanese firm, Largan Precision. Largan is the leader in high end lenses for mobile phone cameras. Our rationale here is that lens quality is improving alongside camera phone requirements which works to the company's advantage, and 5G may see some reacceleration of handset sales. We initiated the position late last year and its performance has seen the stock move into the top ten.

The performance of the last year serves as reminder of the potential for Asia to deliver pleasing returns to investors. This will come with some volatility, as highlighted by current fears around coronavirus. However, the region boasts low valuations and strong growth potential – a good starting position for investment returns, in our view.

Please visit our website for an update on coronavirus as at 29 January 2020.

<https://www.platinum.com.au/Insights-Tools/The-Journal/Update-re-coronavirus>



Source: Chart 1 – IBES consensus, in local currency. Correct as at 31 January 2020.



Source: Chart 2 – IBES consensus, in local currency. Correct as at 31 January 2020.