Platinum Asia Investments Ltd ASX PAI

31 October 2016

Facts

Portfolio value	$292.35mn
Fund commenced	16 September 2015
Current share price	$0.935
Current option price	$0.014
Pre-tax NAV	$0.994
Post-tax NAV*	$0.994

*liquidation basis

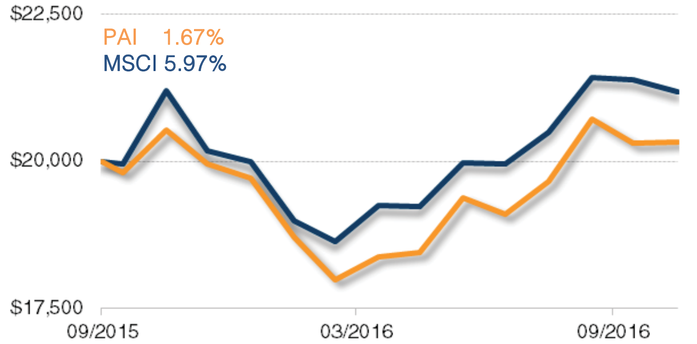
Fees

Management fee:	1.1% p.a. of the portfolio value
Performance fee:	Payable at 15% of the amount by which the portfolio's annual performance exceeds the return achieved by the MSCI All Country Asia ex Japan Net Index

Performance[1] (Pre tax, after base fees)

	PAI %	MSCI %
1 month	0.15	(0.96)
3 months	3.44	3.34
6 months	10.23	10.21
12 months	(0.97)	(0.07)
Since Inception (compound pa)	1.48	5.28

Performance graph[2]



Source: Factset and Platinum

Top ten positions[4]

STOCK	COUNTRY	INDUSTRY	%
Alibaba Group ADR	China Ex PRC	Info Technology	3.7
Samsung Electronics Co Ltd	Korea	Info Technology	3.5
Kasikornbank PCL Foreign	Thailand	Financials	3.2
Jardine Matheson Holdings	Hong Kong	Industrials	2.8
Jiangsu Yanghe Brewery J PN	China	Consumer Staples	2.6
Yes Bank Ltd	India	Financials	2.6
Tencent Holdings Ltd	China Ex PRC	Info Technology	2.5
JD.com Inc ADR	China Ex PRC	Cons Discretionary	2.5
Ping An A Share Pnote Exp	China	Consumer Staples	2.5
Baidu com ADR	China Ex PRC	Info Technology	2.4

Industry breakdown[3]

SECTOR	LONG %	NET %
Financials	21.5	21.5
Info Technology	18.8	18.8
Cons Discretionary	13.1	13.1
Consumer Staples	10.2	10.2
Industrials	8.0	8.0
Utilities	6.8	6.8
Energy	3.8	3.8
Real Estate	2.9	2.9
Materials	1.9	1.9

Invested positions[3]

	LONG %	NET %	CURRENCY %
China	10.0	10.0	9.5
China Ex PRC	28.8	28.8	
Hong Kong	3.2	3.2	20.9
Taiwan	2.5	2.5	2.5
India	17.2	17.2	18.3
Korea	9.6	9.6	9.6
Malaysia	1.5	1.5	1.5
Philippines	4.5	4.5	4.5
Thailand	7.6	7.6	7.6
Vietnam	2.2	2.2	2.2
	87.1	87.1	
Australian Dollar			12.0
China Renminbi Off Shore			(16.8)
United States Dollar			28.2
Cash & Accruals	12.9	12.9	
Total	100.0	100.0	100.0

Long - 67 stocks, 2 swaps

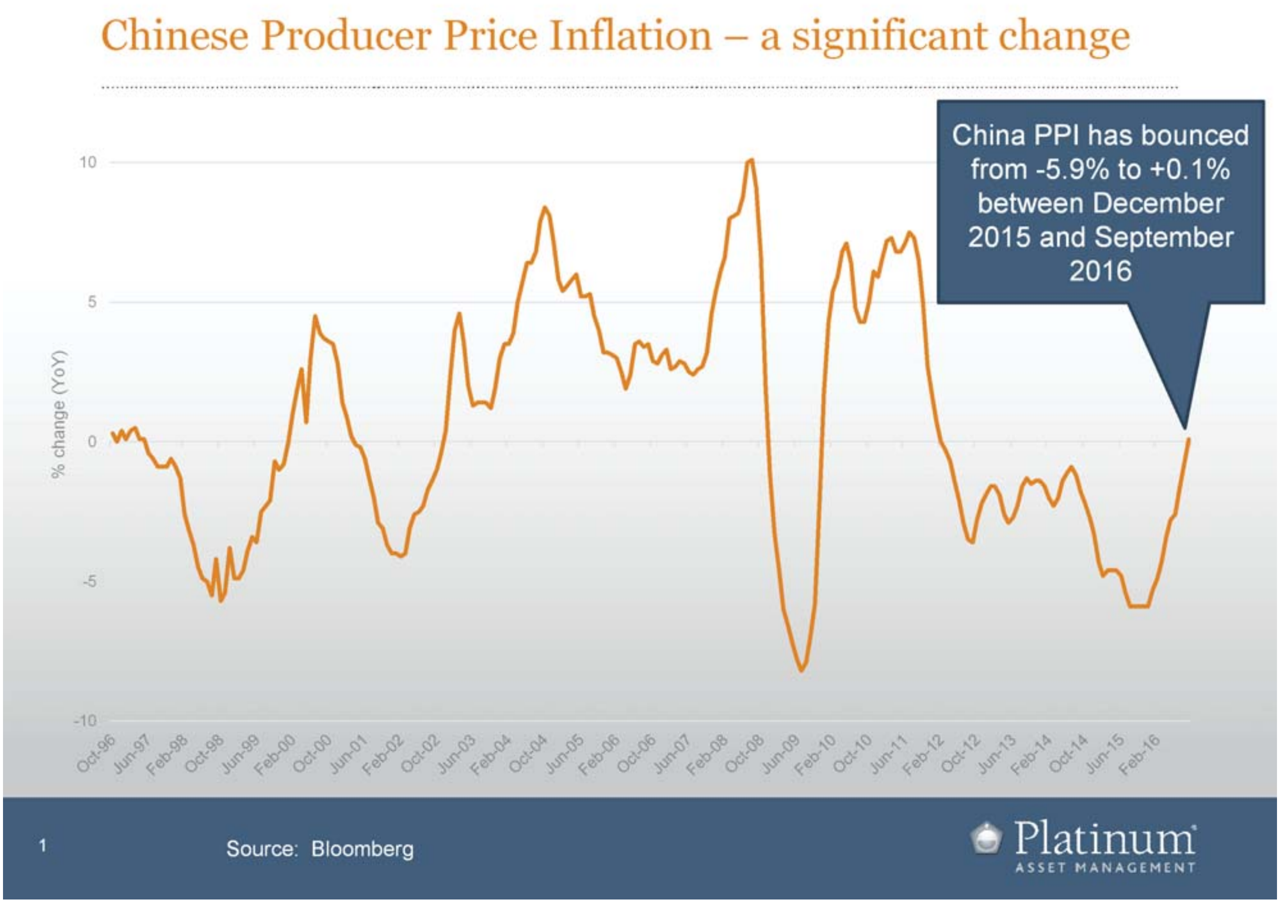
1. Performance results have been calculated using the pre-tax net asset value price (as released to the ASX) and represent the combined income and capital return of the investments for the specified period. Please note that the results are not calculated from the share price of PAI. You should also be aware that performance results are calculated using historic points of reference. PAI and its directors cannot guarantee that such results will be replicated in the future; therefore, this information should not be used to make future investment decisions.

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in PAI since inception relative to the MSCI All Country Asia ex Japan Net Index in A$ ("Index"). Performance results have been calculated using the pre-tax net asset value as released to the ASX (monthly 'Net Asset Values') and represent the combined income and capital return of PAI's investments for the specified period. Please note that the results are not calculated from the share price of PAI. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably from the make-up of the Index. The Index is provided as a reference only.

3. The "Long %" represents the exposure of physical holdings and long stock derivatives as a % of PAI's pre-tax net asset value. The "Net %" represents the exposure of physical holdings and both long and short derivatives as a % of PAI's pre-tax net asset value. The "Currency %" represents the currency exposure for PAI's Portfolio as a % of PAI's pre-tax net asset value, taking into account currency hedging.

4. Top Ten positions shows PAI's top long share exposure positions as a % of PAI's pre-tax net asset value. Long derivative exposures are included, however, short derivative exposures are not.

Platinum Asia Investments Limited



Market update and Commentary

Emerging market inflows moderated in October, which saw performance in the region weaken. Nonetheless, Asia ex Japan has seen a 7% outperformance relative to the global index (in Australian dollars),* driven by emerging market inflows, over the last six months. We would note that positioning by the majority of asset managers remains heavily underweight emerging markets and cyclicals (indeed, fixed interest assets have seen net inflows this calendar year).

China has stabilised. Chinese equity markets, both A and H shares, have been stable, outperforming most regional markets. Chinese bank shares have performed well in recent months, as investor expectations move from Armageddon to muddling through (we hold no Chinese bank shares, as we feel the current negative credit cycle will be prolonged and severe, dampening returns even from apparently very cheap starting valuations). Chinese Renminbi (RMB) depreciation continues, with RMB falling from 6.67 to 6.77 against the US Dollar. This has started to worry some commentators regarding capital leaving the country, but this seems to be an orderly process: the fall is broadly in line with the trade-weighted basket that the RMB now tracks.

In China we see ongoing recovery in industrial activity and infrastructure investment (notably via public private partnership funding models). We hold few industrial companies in China, with the dominant exposure in the Fund being to the Chinese consumer and technology firms. However, two companies that we hold – Weifu High Tech (automotive components) and Weichai Power (diesel engines) – have seen exceptional performance in recent months driven by ongoing recovery in industrial activity in China. Some of the data pertaining to these companies is exceptional. For instance, Weichai's recent third quarter report revealed that heavy truck sales were up 30% year on year. Producer price inflation has turned positive in China for the first time in four years (see chart above), removing a deflationary pulse from the global economy.

The Philippines continues to see selling by foreign investors due to President Duterte's erratic behavior. However, the underlying economic picture is exceptional – October saw yet another month of PMI readings over 55 (with a reading of over 50 meaning expansion). That is now seven consecutive PMI readings above 55 for the Philippines.

Korean banks saw significant appreciation due to an improving earnings outlook. A recovering macroeconomic milieu plus a change in the global rate environment has seen the outlook for net interest margins improve.

We believe that ongoing, if gentle, inflationary pressure will see rates rise and yield curves steepen gradually globally. This should see both emerging markets and cyclicals better positioned than they have been for several years, especially with these market segments being particularly unloved by investors.

* Source: MSCI Inc.