Platinum Asia Investments Ltd ARSN null

31 July 2017

Facts

Portfolio value		$395.64 mn	
Portfolio inception		16 September 2015	
Current share price	$1.075		
Pre-tax NTA	$1.0977	NTA retained earnings &	
Post-tax NTA	$1.0759	dividend profit reserve*	8.75 cps
Max. franked dividend	1.89 cps		

*dividend subject to available franking credits.

Fees

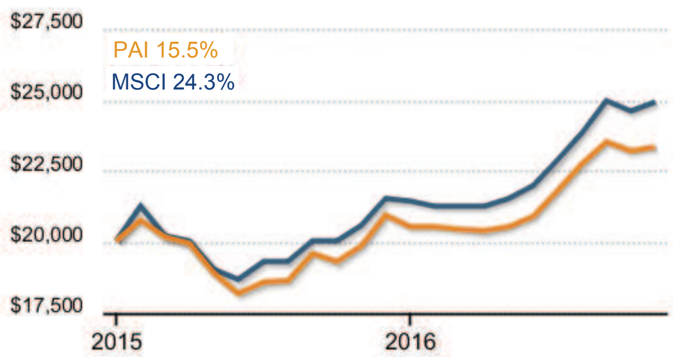
Management fee: 1.1% p.a. of the portfolio value

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]

	FUND %	MSCI %
1 month	0.63	1.22
3 months	2.65	4.61
6 months	13.54	15.84
Calendar year to date	14.57	17.35
1 year	17.52	21.23
Since inception (compound pa)	7.99	12.31

Performance graph[2]



Invested positions[3]

	LONG %	NET %	CURRENCY %
China	7.2	7.2	6.8
China Ex PRC	44.3	44.3	
Hong Kong	1.0	1.0	32.5
Taiwan	2.8	2.8	2.7
India	12.2	12.2	12.3
Indonesia	0.8	0.8	0.8
Korea	10.4	10.4	10.4
Malaysia	0.8	0.8	0.8
Philippines	5.7	5.7	5.7
Singapore	1.2	1.2	
Thailand	5.1	5.1	5.1
Vietnam	1.6	1.6	1.6
	93.1	93.1	
Australian Dollar			0.3
China Renminbi Off Shore			(7.1)
United States Dollar			28.1
Cash	6.9	6.9	
Total	100.0	100.0	100.0

Long - 76 stocks, 2 swaps

Top ten positions[4]

STOCK	COUNTRY	INDUSTRY	%
Alibaba Group ADR	China Ex PRC	Info Technology	4.3
Ayala Corp	Philippines	Financials	3.7
Jiangsu Yanghe Brewery J PN	China	Consumer Staples	3.2
Axis Bank Ltd	India	Financials	3.1
Kasikornbank PCL Foreign	Thailand	Financials	3.0
Sina Corp	China Ex PRC	Info Technology	2.9
Samsung Electronics Co Ltd	Korea	Info Technology	2.9
Tencent Holdings Ltd	China Ex PRC	Info Technology	2.8
Midea Group Co PN exp	China	Cons Discretionary	2.6
Ping An Insurance Grp Co H	China Ex PRC	Financials	2.5

Industry breakdown[3]

SECTOR	LONG %	NET %
Info Technology	23.5	23.5
Financials	19.4	19.4
Cons Discretionary	13.0	13.0
Consumer Staples	8.0	8.0
Industrials	7.8	7.8
Real Estate	7.1	7.1
Materials	4.9	4.9
Utilities	3.9	3.9
Energy	3.0	3.0
Telecom Services	1.5	1.5
Health Care	1.0	1.0

1. Source: Platinum for fund returns and RIMES Technologies for MSCI returns. Performance results have been calculated using the pre-tax net tangible asset value 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. The returns are calculated relative to the MSCI All Country Asia ex Japan Net Index in A$. 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. Source: Platinum for fund returns and RIMES Technologies for MSCI returns. 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 portfolio value as released to the ASX 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 percentage of PAI's portfolio value. The "Net %" represents the exposure of physical holdings and both long and short derivatives as a percentage of PAI's portfolio value. The "Currency %" represents the currency exposure for PAI as a percentage of PAI's portfolio value, taking into account currency hedging.
4. The "Top ten positions" shows PAI's top long share exposure positions as a percentage of PAI's portfolio value. Long derivative exposures are included. However, short derivative exposures are not.

Market update and commentary

July saw another positive month in Asian markets and for the portfolio. Chinese stocks were the main contributor to the portfolio's performance for the month. We remain strongly positive about the potential of our Chinese holdings. 2017 has seen some debate regarding the sustainability of the "reflation trade". We think there is an assumption implicit in this language that the current recovery is unsustainable. We disagree. We see clear evidence of a durable recovery in economic activity in China.

If any of our readers still harbour the assumption that China has been irrationally adding to its housing stock by building "ghost cities" for the last five years, we must try to disabuse them of this notion. The Chinese housing market has seen substantial contraction in activity and is currently in widespread undersupply. Unsold housing inventories are at decade lows and the government continues to act to suppress demand where necessary to prevent over-heating.

And this situation of housing undersupply occurs in a context of strong ongoing urbanisation. China has a total population of approximately 1.4 billion people. The country's urban population is around 780 million, which we estimate equates to some 250 million households and an urbanisation rate of 56%. China's government has a stated goal of an urbanisation rate of 60% by 2020, which would imply an additional 55 million people in cities in the next three years. This is in addition to our estimate of 130 to 150 million urban households still living in communist-era housing.

Further, 2017 has seen a significant acceleration in capital expenditures by Chinese corporates. Real estate investment has seen substantial growth (sensibly so, given the comments above), but so also has electronics equipment, light manufacturing and media. Importantly, over-supplied sectors like mining, chemicals, materials and steel have seen substantial declines in capital expenditures this year. Supply side reform is real in China.

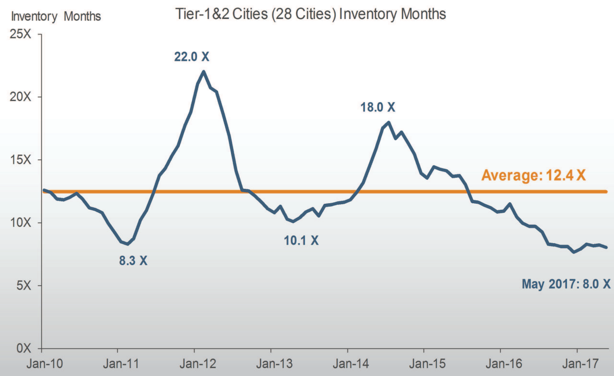
Both manufacturing and non-manufacturing Purchasing Manager's Index (PMI) results indicate expansion in China, retail sales are growing at 10%-plus and foreign exchange reserves have stabilised and have risen slightly in recent months.

Bad debt will continue to be written off in China – this process has commenced, with banks in China declaring 1-2% non-performing loans. These are similar rates of write-offs to some of our European and Indian bank holdings and five to ten times the bad debt provisioning declared by Australian banks.

In India we see falling inflation, declining interest rates (the RBI cut its repo rate to 6% in July from 6.25% in June and 6.5% in May), a tiny current account deficit at 0.6% of GDP (down from 5% of GDP three years ago) and GDP growth of 7.4%. All this with lending growth slower than GDP growth. This is a remarkable economic performance which indicates growing domestic capital formation with accelerating returns on capital. However, India's stock market is expensive. We would love to own more in India, but consumer exposures in particular trade on eye-watering multiples (40 times earnings is not uncommon).

So, Asia's super-giants are performing well economically and we are of the view that the region as a whole is positioned to grow on the back of this strength, in the midst of a synchronous global expansion. In our opinion, Asia remains remarkably attractive and we believe should continue to reward investors.

China's Residential Property Inventory: Tier 1 & 2 Cities



Source: CRIC Morgan Stanley Research

Platinum ASSET MANAGEMENT

China capex picking up in 2017

Source: UBS, company filings

Platinum ASSET MANAGEMENT

China Capex by sector, 2-year compound growth

Positive Growth	
Real Estate	90%
Electrical Equipment	90%
Electronics	83%
Textile and Garment	76%
Media	73%
Light Manufacturing	38%
Automobile	28%
Healthcare	26%
Mechanical Equipment	14%
Non-Ferrous Metals	11%
Defence and Military	7%
Utility	6%
Computer	4%
Transportation	3%
Commercial Trade	1%

Negative Growth	
Chemicals	-30%
Mining	-26%
Steel	-25%
Materials	-18%
Telecom	-15%

Source: A-Share Market company data

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