Platinum Asia Investments Ltd ASX PAI

30 April 2018

Facts

Portfolio value	$448.2 mn
Portfolio inception	16 September 2015
Current share price	$1.29
Pre-tax NTA	**$1.2410**
Post-tax NTA	$1.1928

Fees

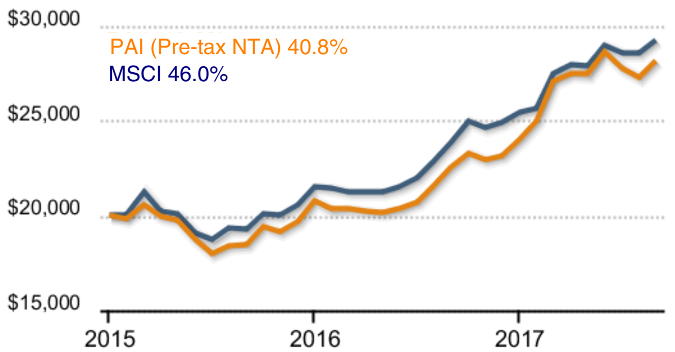
Management fee:	1.1% p.a. of the portfolio value
Performance fee:	Payable at 15% of the amount by which the portfolio's annual performance exceeds the return achieved by the MSCI All Country Asia ex Japan Net Index

Performance[1]

	FUND % (Pre-tax NTA)	MSCI %
1 month	3.19	2.34
3 months	(1.57)	1.10
6 months	4.14	6.43
Calendar year to date	2.65	5.05
1 year	25.15	22.86
2 years (compound pa)	23.57	23.22
Since inception (compound pa)	13.95	15.52

The Pre-tax NTA return is calculated on net assets after the deduction of fees & costs and assumes the re-investment of any dividends

Performance graph[2]



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Top ten positions[4]

STOCK	COUNTRY*	INDUSTRY	%
Alibaba Group	China	Info Technology	3.4
Samsung Electronics Co Ltd	Korea	Info Technology	3.3
Axis Bank Ltd	India	Financials	3.1
Ping An Insurance Grp	China	Financials	3.1
Yes Bank Ltd	India	Financials	2.8
Kasikornbank PCL	Thailand	Financials	2.8
China Overseas land	China	Real Estate	2.7
China Oilfield Servies Ltd	China	Energy	2.3
China Merchants Ban	China	Financials	2.3
CNOOC Ltd	China	Energy	2.2

*China includes exposure to Chinese A shares, H shares and ADRs.

Industry breakdown[3]

SECTOR	LONG %	NET %
Financials	23.9	23.9
Info Technology	16.4	16.4
Industrials	8.0	8.0
Cons Discretionary	7.7	7.7
Materials	6.6	6.6
Energy	5.9	5.9
Real Estate	5.5	5.5
Health Care	4.3	4.3
Consumer Staples	2.3	2.3
Utilities	2.0	2.0
Telecom Services	1.4	1.4

Invested positions[3]

	LONG %	NET %	CURRENCY %
China	7.0	7.0	7.0
China Ex PRC	37.8	37.8	
Hong Kong	5.2	5.2	47.5
Taiwan	1.9	1.9	1.9
India	13.5	13.5	13.5
Indonesia	0.5	0.5	0.5
Korea	10.4	10.4	10.5
Malaysia	0.5	0.5	0.5
Philippines	2.0	2.0	2.0
Singapore	0.6	0.6	
Thailand	4.5	4.5	4.6
	84.0	84.0	
United States Dollar**			12.0
Cash	16.0	16.0	
Total	100.0	100.0	100.0

Long - 75 stocks, 1 swap

**Figure includes exposure to USD through USD cash, USD denominated stock and derivatives over such stocks.

1. Source: Platinum for PAI 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$. Past performance is not a reliable indicator of future results.

2. Source: Platinum for PAI 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 pre-tax net tangible asset value 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 bottom up 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. Past performance is not a reliable indicator of future results.

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

April saw a strong month of performance for the portfolio, led by broad performance across industrial sectors in our Chinese holdings, strong performance from Samsung, plus strong performance from our Indian financials.

April saw ongoing concern regarding US-Chinese trade relations. A spectacular casualty of this tension was Chinese telecommunications equipment maker ZTE, shares of which are down nearly 25% from January to May 2018 in US dollars. The company was hit with a seven-year ban on buying American components, plus a fine for deceiving U.S. authorities over dealings with Iran and North Korea. Phone maker Huawei is reportedly under a similar investigation. While Samsung and Apple accounted for nearly 35% of the global handset market in 2017, mainland Chinese smartphone makers like Huawei, Oppo, Vivo, Xiaomi and others accounted for roughly 50% of global shipments, according to Gartner. Trade sanctions are a dangerous game: if China were to adopt retaliatory measures against Apple, it is unclear which country would be the biggest loser.

The current US-China trade dialogue ended its first week showing limited progress. An official Chinese press release reported that consensus was achieved on a few trade-related issues, but disagreements persist on various fronts.

After several months of tightening liquidity conditions in China, the People's Bank of China announced in mid-April that it will lower the reserve requirement ratio (RRR) for "qualified" financial institutions, effective on April 25 2018. This will benefit most deposit-taking banks, with the total amount of liquidity released from this RRR cut likely to amount to RMB 1.3 trillion (USD 205bn).*

At the same time as financial conditions have tightened in China, stricter regulation of government finances and a clean-up of the pipeline of projects in public private partnerships have led to slower local government fiscal expansion. Infrastructure investment growth declined rapidly to 6% year on year in March from 15% year on year for the year of 2017.* The may leave infrastructure investment placed to rebound in coming months as the project list has been finalised and regulatory uncertainty is removed. Current signals – for example steel prices, steel inventories, coal usage in power generation – are positive.

Amid mild but persistent tightening in China's financial conditions and trade tension, the Chinese consumer has continued to grow consumption. This was highlighted in Alibaba's March quarter results, showing revenue up 60% year on year to 62bn yuan (USD 9.7bn), marking two years of continuous quarterly revenue growth of greater than 50%.

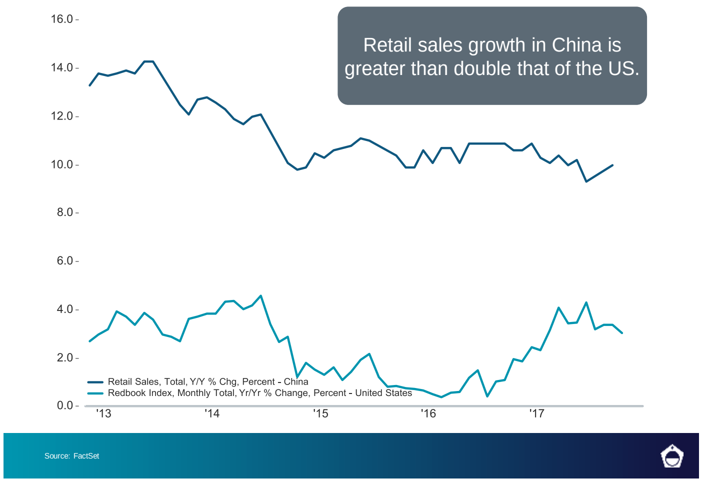
In summary, fears of systemic collapse caused by debt in China have largely abated. Reform efforts and ongoing urbanisation plus the use of technology have seen the economy recover some of its dynamism since 2015. Current growth rates are allowing for profound reforms of the Chinese financial system. Smaller and regional bank lending is being replaced by bond issuance. Support of regional industry is being eliminated as industries consolidate and capacity is closed. Debt to state-owned heavy industrial companies is being replaced by credit provided to the private sector and consumers. This process is ongoing and will be dynamic – we seem to have just passed through a mild slowdown prompted by financial tightening and a clean out of planned infrastructure projects. The yield curve in China is steepening. And this is as India's credit provision sits at a record low in the history of that country.

As much of the financial world frets about a flattening yield curve in the US and the reversal of quantitative easing, we see relative tight conditions in the world's two most populous economies (China and India) concurrent with significant reform efforts in both. This augurs well for future physical demand in the global economy, in our view, and we are positioned accordingly.

Source: * CICC – Chinese International Capital Corporation

Chinese money supply growth (M2, % change YoY)

Chinese vs. US retail sales growth (% change, YoY)



Shanghai rebar (steel) price (CNY/t)