Platinum Asia Investments Ltd ASX PAI

31 December 2018

Facts

Portfolio value	$368.3 mn
Portfolio inception	15 September 2015
Current share price	$1.07
Pre-tax NTA	$1.0154
Post-tax NTA*	$1.0154

*liquidation basis

Fees

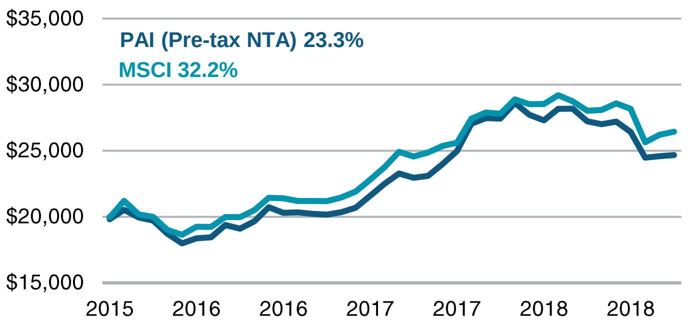
Management fee:	1.1% p.a. of the portfolio value
Performance fee:	Payable at 15% of the amount by which the portfolio's annual performance exceeds the return achieved by the MSCI All Country Asia ex Japan Net Index

Performance[1]

	Company % (Pre-tax NTA)	MSCI %
1 month	0.34	0.92
3 months	(6.68)	(6.13)
6 months	(9.39)	(5.64)
Calendar year to date	(10.10)	(4.87)
1 year	(10.10)	(4.87)
2 years (compound pa)	10.60	11.72
3 years (compound pa)	7.76	9.76
Since inception (compound pa)	6.58	8.85

The Company's return is calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows, and assumes the reinvestment of dividends. Returns are not calculated using the Company's share price.

Performance graph[2]



The Company's return is calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows, and assumes the reinvestment of dividends. Returns are not calculated using the Company's share price.

Top ten positions[4]

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.7
Tencent Holdings Ltd	China	Communication Serv.	3.1
Kasikornbank PCL Foreign	Thailand	Financials	3.0
Axis Bank Ltd	India	Financials	2.7
Alibaba Group ADR	China	Cons Discretionary	2.4
Ayala Land Inc	Philippines	Real Estate	2.1
Naver Corporation	Korea	Communication Serv.	2.1
Reliance Industries Limited	India	Energy	2.1
AIA Group Ltd	Hong Kong	Financials	2.0
Anta Sports Products Ltd	China	Cons Discretionary	2.0

Industry breakdown[3]

SECTOR	LONG %	NET %
Financials	22.0	22.0
Communication Services	10.6	10.6
Industrials	7.9	7.9
Cons Discretionary	7.8	7.8
Energy	6.1	6.1
Consumer Staples	5.7	5.7
Info Technology	4.7	3.7
Real Estate	4.1	4.1
Health Care	2.3	(0.8)
Other	1.9	1.9
Materials	1.7	1.7
Utilities	1.0	1.0

Invested positions[3]

	LONG %	NET %	CURRENCY %
China	9.0	9.0	9.0
China Ex PRC	24.2	22.5	
Hong Kong	4.5	4.5	38.4
India	16.8	15.8	17.0
Korea	11.6	10.0	10.1
Malaysia	0.5	0.5	0.5
Philippines	2.5	2.5	2.5
Thailand	4.6	4.6	4.7
Vietnam	2.4	2.4	2.4
	76.0	71.9	
Australian Dollar			0.1
China Renminbi Off Shore			(20.4)
United States Dollar			35.7
Cash	24.0	28.1	
Total	100.0	100.0	100.0

Long - 68 stocks   Short - 4 stocks, 1 index

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the investment manager of Platinum Asia Investments Limited ("PAI"). The information presented in this Fact Sheet is general information only and is not intended to be financial product advice. It has not been prepared taking into account your investment objectives, financial situation or needs, and should not be used as the basis for making an investment decision. Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. Some numerical figures in this Fact Sheet have been subject to rounding adjustments. Neither PAI nor any company in the Platinum Group®, including any of their directors, officers or employees (collectively "Platinum Persons"), guarantee the performance of PAI, the repayment of capital, or the payment of income. To the extent permitted by law, no liability is accepted by any Platinum Person for any loss or damage as a result of any reliance on this information. The market commentary reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by any Platinum Person as to their accuracy or reliability.

1. & 2. Source: Platinum for PAI returns and RIMES Technologies for MSCI returns. 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 PAI since inception. Past performance is not a reliable indicator of future returns. 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.

3. China refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies. The "Long %" represents the exposure to direct securities holdings and long stock/index derivatives as a percentage of PAI's portfolio value. The "Net %" represents the exposure to direct securities holdings and both long and short stock/index derivatives as a percentage of PAI's portfolio value. The "Currency %" represents the effective currency exposure of PAI's portfolio as a percentage of PAI's portfolio value, taking into account currency exposures through securities holdings, cash, forwards and long and short stock/index derivatives.

4. The "Top ten positions" show PAI's top ten long positions as a percentage of PAI's portfolio value. Direct securities holdings and long stock derivatives are included. However, short stock derivatives are not included.

Market update and commentary

With the US market free-fall dominating media coverage in December, it may be a surprise that Asian markets, and PAI, had their second (small) positive months in a row. It does not eliminate a tough quarter, but could be the first green shoots. Losses were dominated by Chinese holdings over the quarter, with Korea also suffering, but our Indian holdings have made a meaningful positive impact as the government took steps to encourage bank lending and boost the economy ahead of general elections.

China has loosened financial conditions significantly, but this is yet to feed through to its economy and in turn the rest of the globe. This follows a substantial tightening in 2017; capacity closure in heavy industry, diminished investment in infrastructure, restrictions on lending to the consumer and small-to-medium-enterprises, before we had to deal with the impact of trade disruption.

Chinese authorities have cut banking reserve requirements and increased liquidity, indicated via Shibor (Shanghai Interbank Offered Rate). Effective tax rates have been lowered, the impact of which is in the order of 1.5% of GDP (source: Cornerstone Macro). Note, they are not borrowing excessively to build infrastructure as in times past, and continue to reform their economy.

One should expect China’s policy responses to lead to increased economic activity in coming months with a lag. It is not clear that any definite signal of an uptick will be apparent in data until after Chinese New Year in February. Data to November and December reflect a moderate slowdown in activity. China’s December manufacturing PMI fell to 49.4 from 50.0 in November, with 50 being a neutral reading.

In November, Chinese industrial production had grown 5.4% y/y, industrial sales for export grew 7.6% y/y while fixed asset investment grew 7.7% y/y (source: CICC). Average new house prices in China rose 0.9% m/m in November following a 1.0% gain in October (source: Reuters).

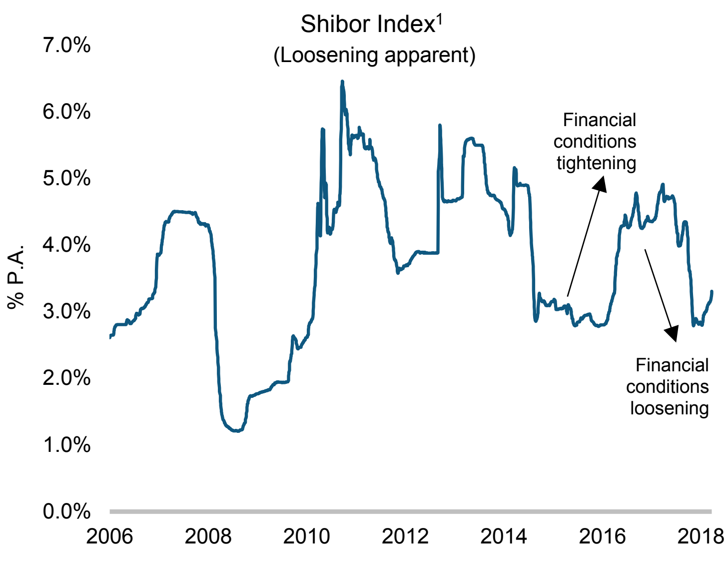
Trade tensions remained apparent, albeit with some signs of concession on China’s side. Notably, a Wall Street Journal report in December indicated an easing back on the ‘Made in China 2025' campaign, delaying some targets in its strategy to dominate high-end technologies.

Contrary to rhetoric, the US is not “winning the trade war”: everyone is losing. The US trade balance has deteriorated over 2018 and export PMIs have collapsed globally, including in the US.

To understand why, imagine you run supply lines for a firm in Hamburg, Seattle or Guangzhou. You don’t know what tariffs will apply on 1 January 1 2019 or 1 February 2019 or 1 March 2019! This remained unclear after the G20 détente between Xi and Trump; the uncertainty is affecting supply lines globally. Now imagine being the CFO of the same firm – should you abandon current, highly efficient supply lines in China and invest in capacity in Vietnam, Cambodia or Bangladesh? You don’t know if tariffs are permanent or a temporary bargaining chip, making long-term decisions difficult too.

Perhaps this is all masterful positioning ahead of negotiations, but a simpler explanation is that it is politicking. We would note that this is a headwind for global profit growth, given the long, intricate supply lines of large companies. This impacts companies in Europe, the US and throughout Asia.

For more detail on the portfolio’s activity and positioning, the Quarterly Report will be available on our website from 21 January.



1. Source: FactSet

2. Source: MSCI, Credit Suisse. Correct as at 24/12/2018.