Platinum Asia Investments Limited ASX: PAI

30 June 2019

Facts

Portfolio value	$393.73 mn
Portfolio Inception	15 September 2015
Current share price	$1.03
Pre-tax NTA	$1.0836
Post-tax NTA	$1.0836

Fees

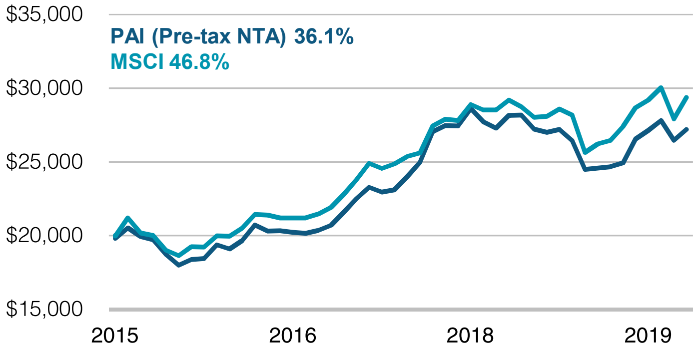
Management fee:	1.1% p.a. of the portfolio value
Performance fee:	Payable at15% of the amount by which the portfolio's annual performance exceeds the return achieved by the MSCI All Country Asia ex Japan Net Index

Performance [1]

	Company % (Pre-tax NTA)	MSCI %
1 month	2.81	5.23
3 months	0.25	0.56
6 months	10.31	11.05
Calendar year to date	10.31	11.05
1 year	(0.05)	4.79
2 years (compound pa)	8.87	9.34
3 years (compound pa)	12.53	13.72
Since inception (compound pa)	8.46	10.67

PAI's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. **PAI's returns have not been calculated using PAI's share price.**

Performance graph [2]



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Invested positions [3]

	Long %	Short %	Net %	Currency %
Asia-Pacific	82.3	(5.5)	76.8	48.8
China	1.9		1.9	1.9
China Ex PRC	31.7		31.7	
Hong Kong	13.1	(4.5)	8.6	33.4
Taiwan	3.9		3.9	4.1
India	12.6	(1.0)	11.5	13.1
Korea	8.9		8.9	8.9
Malaysia	0.5		0.5	0.5
Philippines	2.7		2.7	(4.8)
Thailand	4.0		4.0	(0.9)
Vietnam	3.0		3.0	3.0
China Renminbi Off Shore				(10.2)
North America	0.5		0.5	51.2
United States	0.5		0.5	51.2
Sub-Total	82.8	(5.5)	77.3	100.0
Cash	17.2		22.7	
Total	100.0		100.0	100.0

Long - 63 stocks Short - 2 indices

Top ten positions [4]

Stock	Country	Industry	%
Alibaba Group Holding Ltd	China	Cons Discretionary	4.7
Tencent Holdings	China	Comm Services	4.4
Samsung Electronics Co Ltd	Korea	Info Technology	4.2
Taiwan Semiconductor	Taiwan	Info Technology	3.9
AIA Group Ltd	Hong Kong	Financials	3.8
Ping An Insurance	China	Financials	3.7
Meituan Dianping	China	Cons Discretionary	2.9
Kasikornbank PCL	Thailand	Financials	2.9
Axis Bank Limited	India	Financials	2.8
Autohome Inc	China	Comm Services	2.5
		Total	36.0

Industry breakdown [3]

Sector	Long %	Short %	Net %
Financials	21.5		21.5
Consumer Discretionary	15.8		15.8
Communication Services	13.9		13.9
Info Technology	12.1	(1.0)	11.0
Real Estate	9.6		9.6
Industrials	3.8		3.8
Health Care	2.0		2.0
Utilities	0.9		0.9
Materials	0.8		0.8
Other	2.4	(4.5)	(2.1)

1. & 2. Source: Platinum for portfolio returns and Factset Research Systems for MSCI returns. The returns are calculated relative to the MSCI All Country Asia ex-Japan Net Index in A$. The investment returns in the line graph are cumulative on A$20,000 invested in PAI 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 PAI's portfolio value. The "Currency %" is the effective currency exposure of PAI's portfolio as a percentage of its portfolio value, 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 PAI's top ten long securities positions as a percentage of PAI's portfolio value (including long securities and long securities derivative positions).

- We have increased net exposure to markets amid trade détente.
- In doing so we have been adding to quality stocks, which remain cheap.
- Trade tension is throwing forth some new opportunities.

Asian markets appear to have responded with a collective sigh of relief to relative calm on the trade front in advance of the G20 meeting in Osaka at the end of June. We have increased exposure to markets significantly from lows of around 65% net invested in May to the current level of approximately 77% net invested as trade threats have subsided. Over the month our shorts detracted from performance, as did several of our Indian financial holdings amid general weakness for financials in India. Over the past year we have suffered on a relative basis by not owning Chinese banks in particular, a segment of the market where we feel the risks do not justify participation.

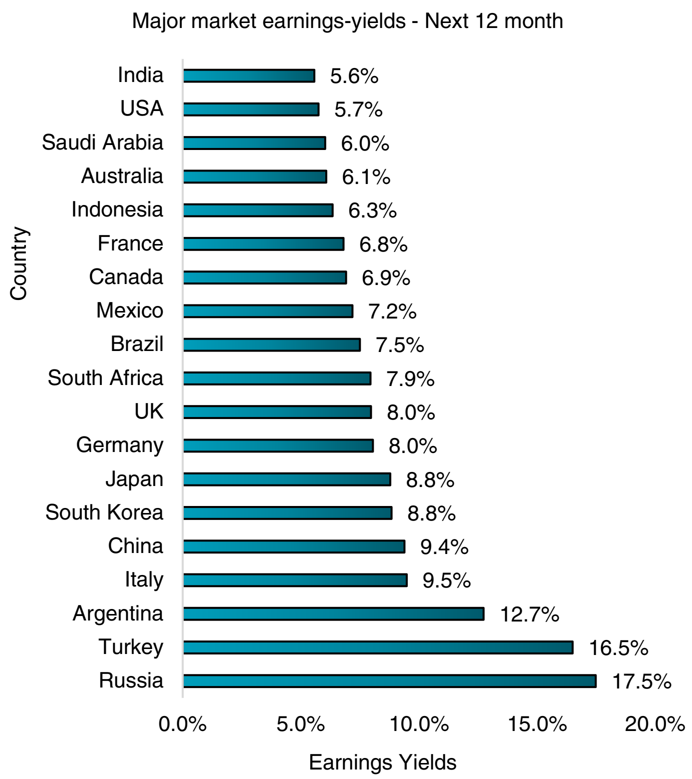
In adding to exposure in recent weeks we have sought to buy quality – given the attractive starting valuations of quality companies in Asia there is little need to compromise on this front. The stocks we have added to in recent weeks include Ping An Insurance, Alibaba (e-commerce platform), Tencent (value-added services and online advertising), AIA (life insurance), Samsung Electronics and SK Hynix (semiconductors). We believe all of these businesses are excellent value for the high quality inherent in them.

To the extent some of the factories will migrate from China given ongoing trade tension, it will likely be a small loss for China (China is predominantly a domestic economy driven by investment and consumption). However, this may represent large gains for surrounding countries with low labour costs. Vietnam for example, is seeing attractive export growth, in some measure thanks to actual or threatened US tariffs on Chinese manufactures. We added to our positions in Vietnam in recent weeks.

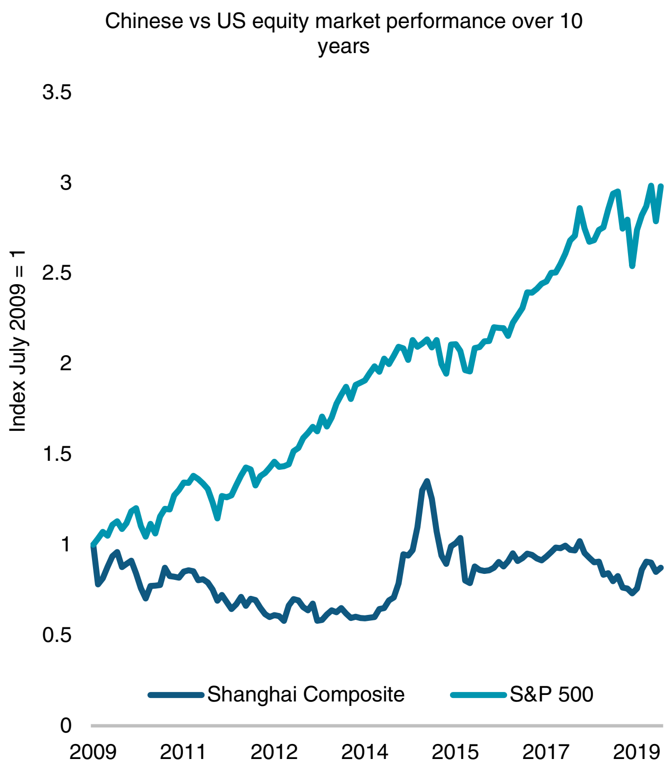
The US government's decision to add Chinese telecommunications company, Huawei, to an "entity list" which prohibits US companies from conducting business with it will benefit others. Samsung Electronics for instance, which is trading at book value and 13 times earnings based on cyclically depressed earnings, offers great value. To the extent that Huawei may lose market share in smartphones in Europe, Samsung is ready to capture it. We added to our position in Samsung in recent weeks.

While trade tension may dominate the narrative, China is in fact continuing to open its markets. While we have emphasised the quality of Ping An Insurance in the past, life insurance company AIA is an example of a company that we expect will benefit from China's ongoing, gradual economic opening. AIA operates in five out of the 36 Chinese provinces. It is growing premiums by 25% a year and its expansion into the remaining 31 provinces is likely to see significant growth in future. It has done very well selling quality products that address the needs of customers, as opposed to competitors who have at times used dubious incentives to foist poor quality policies onto customers. We estimate that AIA's earnings will continue to grow at double digits for a long time, and it is trading on 15 times earnings.

Source: Platinum Investment Management Limited and FactSet.



Source: MSCI, Credit Suisse. Correct as at 8 July 2019.



Source: Bloomberg. Correct as at 28 June 2019.