



## Facts

Portfolio value	\$389.55 mn
Portfolio Inception	15 September 2015
Current share price	\$0.94
Pre-tax NTA	\$1.0696
Post-tax NTA	\$1.0696

## 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 <sup>1</sup>

	Company % (Pre-tax NTA)	MSCI %
1 month	0.93	1.56
3 months	0.84	(0.64)
6 months	1.10	(0.08)
Calendar year to date	11.24	10.35
1 year	3.81	3.59
2 years (compound pa)	4.81	6.76
3 years (compound pa)	10.56	10.89
Since inception (compound pa)	8.14	9.80

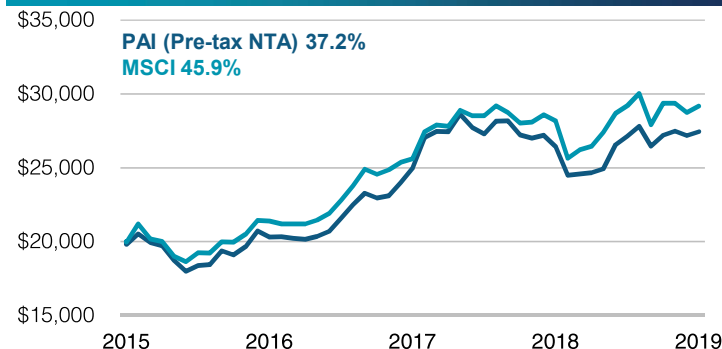
PAI's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PAI's returns have not been calculated using PAI's share price.

## Invested positions <sup>3</sup>

	Long %	Short %	Net %	Currency %
<b>Asia-Pacific</b>	<b>80.7</b>	<b>(0.5)</b>	<b>80.2</b>	<b>45.9</b>
China	3.0		3.0	3.0
China Ex PRC	36.2		36.2	
Hong Kong	6.7		6.7	33.8
Taiwan	5.2		5.2	5.2
India	9.7	(0.5)	9.2	10.2
Korea	9.6		9.6	9.7
Malaysia	0.4		0.4	0.4
Philippines	3.0		3.0	3.0
Thailand	3.5		3.5	1.0
Vietnam	3.4		3.4	3.4
Australian Dollar				0.3
China Renminbi Off Shore				(24.1)
<b>North America</b>	<b>0.5</b>		<b>0.5</b>	<b>54.1</b>
United States	0.5		0.5	54.1
<b>Sub-Total</b>	<b>81.2</b>	<b>(0.5)</b>	<b>80.7</b>	<b>100.0</b>
<b>Cash</b>	<b>18.8</b>		<b>19.3</b>	
<b>Total</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>

Long - 59 stocks Short - 1 index

## Performance graph <sup>2</sup>



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## Top ten positions <sup>4</sup>

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	5.8
Tencent Holdings	China	Comm Services	5.4
Taiwan Semiconductor	Taiwan	Info Technology	5.2
Alibaba Group Holding Ltd	China	Cons Discretionary	5.0
Ping An Insurance	China	Financials	3.5
AIA Group Ltd	Hong Kong	Financials	3.0
Meituan Dianping	China	Cons Discretionary	3.0
Vietnam Enterprise	Vietnam	Other	2.8
Kasikornbank PCL	Thailand	Financials	2.8
Axis Bank Limited	India	Financials	2.7
		<b>Total</b>	<b>39.2</b>

## Industry breakdown <sup>3</sup>

Sector	Long %	Short %	Net %
Consumer Discretionary	17.3		17.3
Financials	16.1		16.1
Communication Services	15.3		15.3
Info Technology	15.2	(0.5)	14.7
Industrials	4.9		4.9
Real Estate	4.8		4.8
Other	2.8		2.8
Health Care	2.2		2.2
Energy	1.2		1.2
Materials	0.8		0.8
Utilities	0.6		0.6

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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).

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- China's economy is slowly stabilising.
- China's two-speed economy and market sell off has seen us upgrade the portfolio to larger, higher quality companies.
- India is stimulating its economy via tax cuts and other measures.

The portfolio posted reasonable performance during September, Samsung being the largest contributor to performance following the release of its latest attempt at a foldable (highlighting its leadership in display technology) and amid improved sentiment to chipmakers in general.

We ended September with a similar exposure to the month prior, maintaining a healthy cash balance of just over 20%, alert to opportunities to deploy this capital should markets be jolted once again by adverse headlines in the current uncertain environment.

China's economy continues to perform in line with our expectations, with stabilisation apparent but without the very large fiscal stimulus and credit creation of prior recoveries. The People's Bank of China stated during the month that counter-cyclical efforts should be stepped up amid slack economic growth. However, the central bank made it clear that it will refrain from large-scale monetary loosening (Source: CICC).

China's September manufacturing Purchasing Managers' Index (PMI) remained in contractionary territory at 49.8, versus 49.5 in August. This was slightly higher than market consensus of 49.6. Within the PMI sub-indices, the new orders index accelerated, possibly reflecting restocking by manufacturers (Source: CICC). However, there is some likelihood that activity was boosted during the month by a pull-forward effect due to the People's Republic's 70th anniversary celebrations on 1 October. The effect of ongoing trade tension is apparent globally – please refer to accompanying chart of German, US and Chinese PMIs, all of which are in contraction.

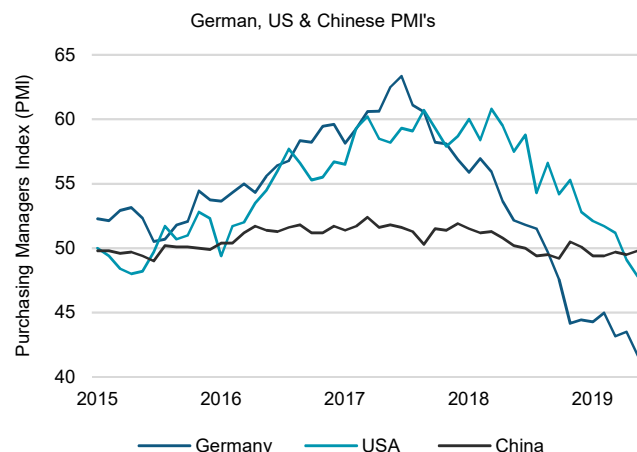
China's economic slowdown is weighing on corporate profitability in the country, with industrial enterprise profit growth falling two percent on an annual basis in August, versus 2.6% growth year-on-year in July (Source: CICC). Aggregate activity indicators show modest growth in China. Electricity consumption across China was up 3.6% year-on-year in August. Highway freight traffic increased 5.6% year-on-year, also in August (Source: BMO). This picture of slow stabilisation of the Chinese economy is corroborated by the OECD's Composite Lead Indicator for the country, shown in an accompanying chart.

Clearly, averages do not tell the full story – for instance Alibaba is expected to grow its profits by 29% in its financial year to March 2020 at the EBITDA level (Source: CICC). Indeed, it is this "two speed economy" that has seen us shift the portfolio to larger and higher quality companies versus those more leveraged to Chinese GDP growth over the last 18 months, and we have been afforded the chance to do so at good valuations given the overall market sell off, auguring well for future returns.

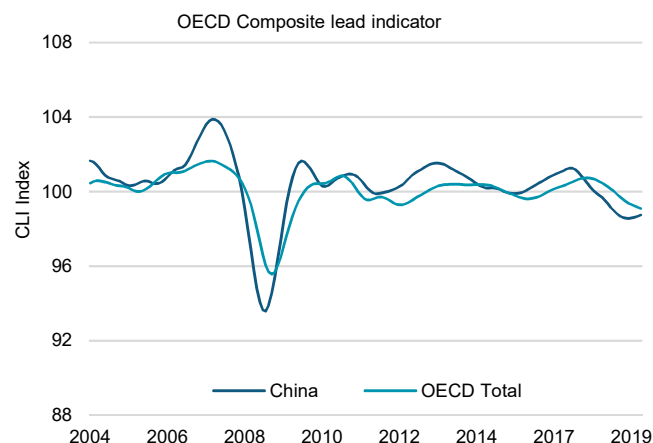
Late September saw further worries in the ongoing trade war between China and the US. It was reported that the White House was examining restrictions on US investors owning equity in Chinese tech firms (Barron's). This seems impractical to us and was denied by White House spokesperson Peter Navarro (Source: CNBC), but we continue to monitor the situation closely.

In India, Prime Minister Modi's government stepped up efforts to stimulate that country's economy. Indian GDP growth has fallen for five consecutive quarters to touch a six-year low of 5 per cent in the second quarter of 2019 (Source: Financial Times). The government announced a package of tax cuts during September, lowering the top effective corporate tax rate from nearly 35% to just over 25%, while slashing taxes on new manufacturing investment to 17% (Source: FT). This followed a series of other reform announcements over recent weeks, including consolidation of the number of public sector banks, measures to support the auto sector and to boost housing and exports. We continue to be selective in India – as we highlighted last month, it is a market characterised by significant valuation dispersion and crowding in popular stocks.

The Platinum Asia Investments Limited Quarterly Report will be available on our website on 21 October 2019.



Source: Chart 1 – Bloomberg, Correct as at 30 September 2019.



Source: Chart 2 – OECD, Correct as at 30 September 2019.  
<https://data.oecd.org/leadind/composite-leading-indicator-cli.htm>



Source: Chart 3 – FactSet, Correct as at 30 September 2019.