



Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

31 May 2019

Facts

Portfolio value	\$159.08 mn
Fund commenced	12 September 2017
Fund launch	14 September 2017
Income distribution date	Annual, 30 June
Unit valuation	Sydney Business Day
Net Asset Value (\$ per unit)	\$4.3188

Fees

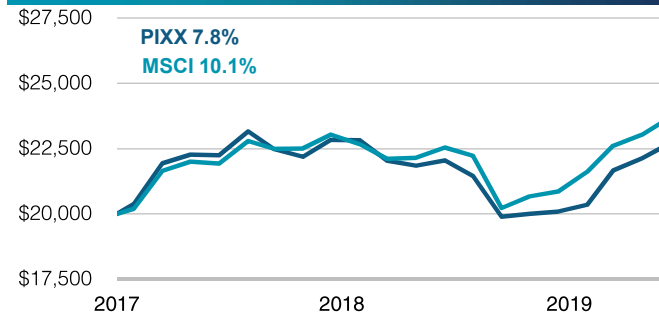
Entry fee	Nil
Buy/sell spread	0.25%/0.25%
(Platinum Asia Fund)	
Fee:	Investment Management 1.10% p.a. Investment Performance 15.00% p.a.

Performance ¹

	Fund %	MSCI %
1 month	(5.09)	(7.08)
3 months	(0.49)	(2.64)
6 months	7.75	6.50
Calendar year to date	7.26	5.54
1 year	(5.56)	(2.91)
Since inception (compound pa)	4.47	5.76

*of the amount by which the Fund's return exceeds its index return

Performance graph ²



Invested positions of Platinum Asia Fund ³

	Long %	Short %	Net %	Currency %
Asia-Pacific	66.9	(4.1)	62.8	51.9
China	4.8		4.8	17.6
China Ex PRC	21.4	(0.0)	21.3	
Hong Kong	7.6		7.6	26.4
Taiwan	3.0	(3.0)	(0.0)	0.0
India	12.2	(1.1)	11.1	12.8
Korea	8.3		8.3	8.5
Malaysia	0.4		0.4	0.4
Philippines	2.9		2.9	(4.7)
Thailand	3.9		3.9	(1.2)
Vietnam	2.4		2.4	2.4
China Renminbi Off Shore				(10.4)
North America	0.1		0.1	48.0
United States	0.1		0.1	48.0
Sub-Total	67.0	(4.1)	62.9	100.0
Cash	33.0		37.1	
Total	100.0		100.0	100.0

Long - 58 stocks, 1 swap Short - 1 swap, 2 indices

Top ten positions of Platinum Asia Fund ⁴

Stock	Country*	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	4.2
Ping An Insurance	China	Financials	4.1
Tencent Holdings	China	Comm Services	3.5
AIA Group Ltd	Hong Kong	Financials	3.5
Meituan Dianping	China	Cons Discretionary	3.1
Taiwan Semiconductor	Taiwan	Info Technology	3.0
Kasikornbank PCL	Thailand	Financials	2.9
Axis Bank Limited	India	Financials	2.8
Bharti Airtel Ltd	India	Comm Services	2.6
Vietnam Enterprise	Vietnam	Other	2.4
		Total	32.0

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

Industry breakdown of Platinum Asia Fund ³

Sector	Long %	Short %	Net %
Financials	22.2		22.2
Consumer Discretionary	12.0		12.0
Communication Services	9.7		9.7
Info Technology	9.6	(1.1)	8.6
Real Estate	4.2		4.2
Industrials	3.6		3.6
Health Care	1.6	(0.0)	1.6
Utilities	0.9		0.9
Materials	0.7		0.7
Consumer Staples	0.1		0.1
Energy	0.0		0.0
Other*	2.4	(3.0)	(0.7)

*Includes index positions

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1. & 2. Source: Platinum for Fund returns and RIMES Technologies for MSCI returns. Investment returns are calculated using the Fund's NAV unit price (i.e. exclude a buy/sell spread), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Returns are net of any accrued investment performance fee. The returns are calculated relative to the MSCI All Country World Net Index in A\$. The investment returns depicted in the graph are cumulative on A\$20,000 invested in the Fund 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 the Platinum International Fund's ("PIF's") net asset value. The "Net %" represents the exposure to direct securities holdings and both long and short stock/index derivatives as a percentage of PIF's net asset value. The "Currency %" represents the effective currency exposure of PIF's portfolio as a percentage of PIF's net asset value, taking into account currency exposures through securities holdings, cash, forwards and long and short stock/index derivatives.

4. The "Top ten positions" show PIF's top ten long positions as a percentage of PIF's net asset value. Direct securities holdings and long stock derivatives are included. However, short stock derivatives are not included. All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>

- Asian equities performed poorly amid trade tension in May.
- Investors appear to be herding into safety and secular growth.
- The result is the potential for long term opportunity in overlooked companies, particularly in Asia.

Trade-exposed companies and regions were thumped in May amid ongoing trade and broader geopolitical tension between the world's two largest economies and the Fund was no exception. We reduced exposure to markets significantly in the immediate wake of Trump's initial tweets regarding China's supposed backtracking on trade negotiations over the weekend of 11 May. This has proven mildly helpful this month, as markets continued to sell-off amid President Trump's moves against Chinese telecommunications provider Huawei and then broader concern sparked by President Trump appearing to renege on NAFTA negotiations with Mexico by threatening new tariffs on that country.

For us, the lesson of 2018 was that the irrational can happen. Politics and grievance are being permitted to erode the institutional underpinnings of the post-war period, seemingly without regard to cost. There is no question that investment decisions are being deferred or cancelled by the lingering uncertainty that prevails in a world where we cannot know what tariffs will apply to what goods, in what country, at what time.

But this situation worsened further with the placing of Huawei on the Bureau of Industry and Security's "Entity List" by the US, and the consequent strangulation of the firm, one of China's national champions and the clear leader in 5G globally in our estimation. Huawei has been selected by numerous countries to help build out 5G, including Germany, the UK, France, Brazil and South Korea. There is every reason to believe that the global rollout of 5G will be slower and more expensive should Huawei be impeded by denial of supply of inputs such as chips and processors.

But investing is not about describing the present, it is about owning the future. So as investors we are faced with the near-certainty that herding into the perceived safety of US tech or western consumer staples will likely destroy capital for investors given extreme valuations and positioning. On many measures we are at levels of market dispersion in terms of valuation last seen in the late 1990s tech boom (see accompanying chart for an example of this behaviour in the US). In our view investors are clearly herding into safety and secular growth and out of trade-related and industrial exposures.

Asian assets have been left behind by this global risk aversion, in our view. There is great value across the region: China is obviously being shunned by investors and trade-exposed South Korea is also very cheap and we see bargains across the region. But we must emphasise the quality of businesses we own – we own many fast growing companies with clean balance sheets on far lower valuations than western peers.

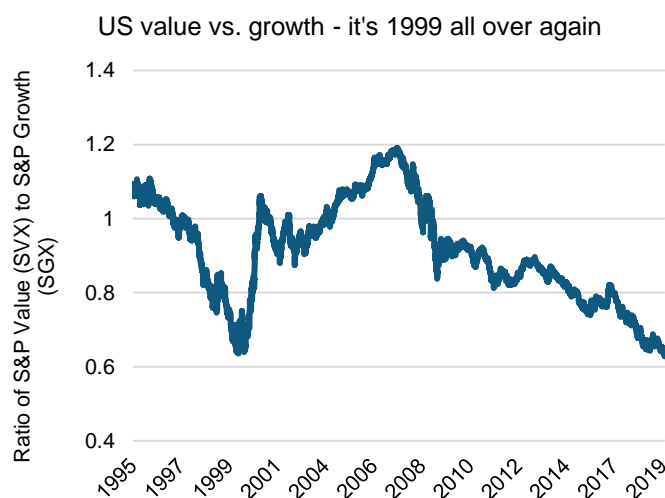
We do not and cannot know the resolution to the current geopolitical tensions. What we do know is that owning quality businesses at good valuations makes money over time and that just about every such macro terror in the past has provided opportunities for the resolute investor to make money.

For now, given the trade tensions, we are sitting with a conservatively positioned portfolio, having put protection in place against things worsening. Given the longer term backdrop, and some of the falls we have seen, we expect to find many opportunities to re-deploy capital back into Asian markets, and already have started to make purchases late in the month.



Source: MSCI, Credit Suisse

Note: Next 12 months price earnings ratios. Correct at 3 June 2019.



Source: Bloomberg