



Platinum Asia Fund

(Quoted Managed Hedge Fund) - ASX: PAXX

30 June 2020

Facts

| | |
|-------------------------------|---------------------------------|
| Portfolio value | \$143.49 mn (Post Distribution) |
| 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) | \$4.7168 (Post Distribution) |

Fees

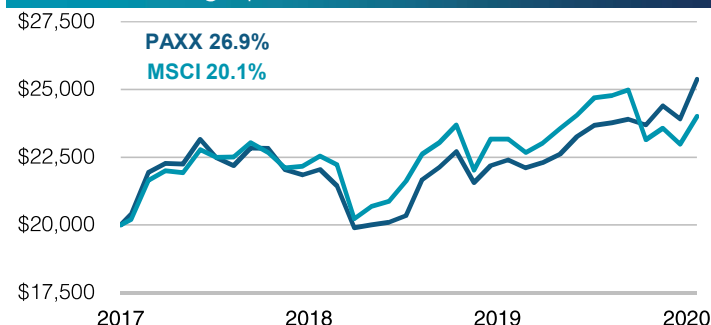
| | |
|----------------------|--|
| Entry fee | Nil |
| Buy/sell spread | 0.20%/0.20% |
| (Platinum Asia Fund) | |
| Fee: | Investment Management 1.10% p.a. Investment Performance 15.00% p.a. |

Performance ¹

| | Fund % | MSCI % |
|-------------------------------|--------|--------|
| 1 month | 6.13 | 4.48 |
| 3 months | 7.13 | 3.75 |
| 6 months | 7.17 | (2.74) |
| Calendar year to date | 7.17 | (2.74) |
| 1 year | 14.39 | 3.65 |
| 2 years (compound pa) | 7.32 | 4.21 |
| Since inception (compound pa) | 8.88 | 6.75 |

*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 | 94.7 | (16.2) | 78.5 | 85.2 |
| Macao | 0.9 | | 0.9 | 0.9 |
| China | 52.8 | | 52.8 | 52.9 |
| Hong Kong | 8.6 | | 8.6 | 8.7 |
| Taiwan | 7.8 | (3.3) | 4.5 | 4.5 |
| India | 7.7 | (6.6) | 1.1 | 1.1 |
| Korea | 12.3 | (3.3) | 8.9 | 12.2 |
| Singapore | | (2.9) | (2.9) | 0.4 |
| Thailand | 2.3 | | 2.3 | 2.3 |
| Vietnam | 2.2 | | 2.2 | 2.2 |
| North America | 0.0 | | 0.0 | 14.6 |
| United States | 0.0 | | 0.0 | 14.6 |
| Europe | | | | 0.1 |
| UK Pound Sterling | | | | 0.1 |
| Sub-Total | 94.7 | (16.2) | 78.6 | 100.0 |
| Cash | 5.3 | 16.2 | 21.4 | |
| Total | 100.0 | | 100.0 | 100.0 |

Long - 45 stocks Short - 4 indices

Top ten positions of Platinum Asia Fund ⁴

| Stock | Country | Industry | % |
|----------------------------|-----------|--------------------|-------------|
| Tencent Holdings | China | Comm Services | 7.1 |
| Samsung Electronics Co Ltd | Korea | Info Technology | 6.0 |
| Taiwan Semiconductor | Taiwan | Info Technology | 5.7 |
| Alibaba Group Holding Ltd | China | Cons Discretionary | 5.3 |
| AIA Group Ltd | Hong Kong | Financials | 4.8 |
| China International | China | Cons Discretionary | 4.3 |
| Reliance Industries Ltd | India | Energy | 3.8 |
| LG Chem Ltd | Korea | Materials | 3.6 |
| Midea Group | China | Cons Discretionary | 3.0 |
| Huazhu Group ADR | China | Cons Discretionary | 2.9 |
| Total | | | 46.4 |

Industry breakdown of Platinum Asia Fund ³

| Sector | Long % | Short % | Net % |
|------------------------|--------|---------|--------|
| Consumer Discretionary | 30.5 | | 30.5 |
| Info Technology | 21.4 | | 21.4 |
| Communication Services | 10.9 | | 10.9 |
| Financials | 8.5 | | 8.5 |
| Consumer Staples | 5.8 | | 5.8 |
| Energy | 3.8 | | 3.8 |
| Real Estate | 3.7 | | 3.7 |
| Materials | 3.6 | | 3.6 |
| Industrials | 2.8 | | 2.8 |
| Health Care | 1.6 | | 1.6 |
| Other | 2.2 | (16.2) | (13.9) |

NB: With effect from 31 May 2020, our country classifications for securities were updated to reflect Bloomberg's "country of risk" designations, and our currency classifications for securities were updated to reflect the relevant local currencies of our country classifications.

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the responsible entity of the Platinum Asia Fund (Quoted Managed Hedge Fund) (the "Fund"). The Fund's latest Product Disclosure Statement (the "PDS") provides details about the Fund. You can obtain a copy of the PDS from Platinum's website www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (Australian investors only), or 0800 700 726 (New Zealand investors only), or 02 9255 7500, or via invest@platinum.com.au. This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Platinum does not guarantee the performance of the Fund, the repayment of capital or the payment of income. 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 Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by Platinum for any loss or damage as a result of any reliance on this information.

1. & 2. Source: Platinum for Fund returns and Factset Research Systems 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 (including any accrued performance fee) and costs and assume the reinvestment of distributions. 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 the Fund 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 geographic "Long %" is the exposure to long securities and long securities/index derivative positions, the geographic "Short %" is the exposure to short securities and short securities/index derivative positions and the geographic "Net %" is the difference between the geographic "Long %" and the geographic "Short %", each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. The cash "Long %" includes cash at bank, cashflows expected from forwards and effective cash exposures resulting from long securities/index derivative positions, the cash "Short %" includes effective cash exposures resulting from short securities/index derivative positions and the cash "Net %" is the difference between the cash "Long %" and the cash "Short %", each as a percentage of the market value of the Fund's portfolio. 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".

4. The "Top ten positions" show PAF's top ten long securities positions as a percentage of the market value of PAF's portfolio (including long securities and long securities derivative positions).

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This commentary relates to the underlying fund, the Platinum Asia Fund.

- June saw a strong month of performance.
- China continues to post solid economic data.
- Markets appear to be somewhat complacent.

June saw another strong month of performance for Asian ex Japan markets and the Fund. An important contributor to performance was Tencent, making new all-time highs during the month. The company announced that a start-up it is backing, Momena, will commence testing of self-driving taxis by October of this year, with a view to having a fleet of driverless taxis on the road in China by 2024 (Northern Trust). This is yet another string to the bow of Tencent, which is a gaming, communication, app development, payments and cloud computing giant, with a market capitalisation of approximately A\$900bn (FactSet).

China's official June manufacturing Purchasing Managers' Index (PMI) edged up 0.3 points to 50.9 (with results over 50 indicating expansion). This marked the fourth consecutive month of expansion. Most sub-indices rose, but employment sub-index continued to fall (Source: CICC).

Further evidence of China getting back to work was apparent in June, with China heavy truck sales up 59% versus a year ago. The 159,000 heavy trucks sold in June 2020 represented the highest ever June figure (Source: cvworld.cn). In addition, the total for the first six months of 2020 was 810,000 units, up 23% on the same period last year (Source: cvworld.cn).

Semiconductor firms, Samsung Electronics, SK Hynix and Taiwan Semiconductor, are important holdings in the Fund, at approximately 13% of assets. These have performed reasonably, if unspectacularly since the sell-off in February and March. They received a fillip at the end of June, with US competitor Micron Technology reporting strong results for its third quarter to May. On our analysis there had been concern regarding demand for semiconductors from data centre and mobile applications. In our view, Micron's result indicated both of these areas of demand are holding up well. Data from Telecom Regulatory Authority of India released at the start of July indicated the strength of key Fund holding Reliance Industries in India's telecommunications industry. The company leads in overall mobile subscribers, with Reliance's Jio holding a market share of 33%, followed by Airtel at 28% and Vodafone Idea's 28% in India's mobile phone market as at February 2020. Further, Jio dominates in wireless broadband, with 383 million broadband users, versus Airtel's 144 million and Vodafone's 118 million (Source: Economic Times of India).

For all the positivity on markets during the month, risks remain. This is no more obvious than in the border tensions between the region's giants, India and China. An incident in the border region of the Gulwan Valley left 20 Indian soldiers dead following a clash with Chinese forces. China lays claim to the area, part of the disputed Ladakh Region (Source: South China Morning Post, Al Jazeera). Senior officials on both sides have met repeatedly since the incident, but no final resolution appears to have been reached (Source: South China Morning Post).

In an echo of this military tension, trade tension has also flared between India and China. During June India banned 59 Chinese apps that the government says "pose threat to sovereignty and integrity." This will impact Chinese app TikTok, which has more than 200 million users in India, its biggest overseas market. (Source: Northern Trust).

Markets are clearly taking Sino-Indian border tensions, as well as most other risks, in their stride at present. We believe there is some evidence of complacency in markets and have moved to trim exposure using index shorts in recent weeks.



Source: Chart 1 – IBES consensus, in local currency. Correct as at 6 July 2020.



Source: Chart 2 – IBES consensus, in local currency. Correct as at 6 July 2020.

Charts 1 and 2 show valuations based on sell-side consensus estimates. It is worth noting at this stage, that in our view these earnings forecasts will very likely come down substantially to reflect the impact of coronavirus-related slowdown in the global economy.