

### Facts

Portfolio value	\$432.0 mn
Portfolio inception	16 September 2015
Current share price	\$1.26
Pre-tax NTA	\$1.1960
Post-tax NTA	\$1.1640

### 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>

	FUND % (Pre-tax NTA)	MSCI %
1 month	(3.41)	(2.50)
3 months	(0.26)	(1.78)
6 months	(0.78)	0.82
Calendar year to date	(0.78)	0.82
1 year	18.59	14.10
2 years (compound pa)	19.40	18.48
Since inception (compound pa)	11.69	12.86

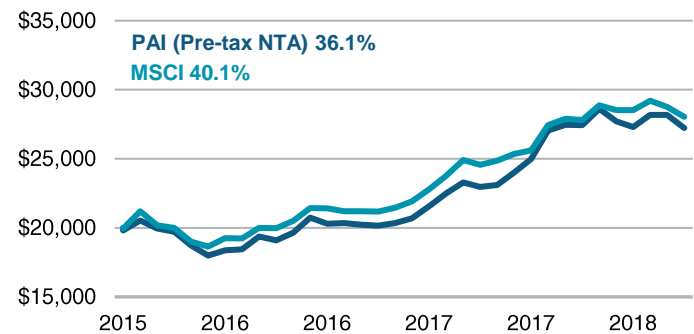
The Pre-tax NTA return is calculated on net assets after the deduction of fees & costs and assumes the re-investment of any dividends

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

	LONG %	NET %	CURRENCY %
China	7.3	7.3	7.3
China Ex PRC	40.2	40.2	
Hong Kong	5.8	5.8	43.3
Taiwan	1.3	1.3	1.4
India	12.6	9.3	9.3
Indonesia	0.6	0.6	0.6
Korea	10.7	10.7	10.7
Malaysia	0.5	0.5	0.5
Philippines	1.9	1.9	1.9
Singapore	0.7	0.7	
Thailand	4.4	4.4	4.5
Vietnam	0.2	0.2	0.2
	86.3	83.1	
Australian Dollar			0.2
United States Dollar**			20.0
Cash	13.7	16.9	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Long - 71 stocks, 1 swap      Short - 1 index

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



The Pre-tax NTA return is calculated on net assets after the deduction of fees & costs and assumes the re-investment of any dividends

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

STOCK	COUNTRY*	INDUSTRY	%
Ping An Insurance Grp	China	Financials	3.6
Samsung Electronics Co Ltd	Korea	Info Technology	3.5
Axis Bank Ltd	India	Financials	3.2
Alibaba Group	China	Info Technology	3.0
Yes Bank Ltd	India	Financials	2.9
Kasikornbank PCL	Thailand	Financials	2.8
China Overseas Land & Invest	China	Real Estate	2.8
CNOOC Ltd	China	Energy	2.4
China Oilfield Services Ltd	China	Energy	2.4
Naver Corporation	Korea	Info Technology	2.3

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

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

SECTOR	LONG %	NET %
Financials	23.2	23.2
Info Technology	17.9	17.9
Energy	9.4	9.4
Industrials	8.2	8.2
Cons Discretionary	7.5	7.5
Real Estate	5.4	5.4
Materials	4.7	4.7
Health Care	3.2	3.2
Consumer Staples	2.8	2.8
Utilities	2.2	2.2
Telecom Services	1.6	1.6
Other*	0.2	(3.0)

\* Includes index short position

\*\*Figure includes exposure to USD through USD cash, USD denominated stock and derivatives over such stocks.

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1. Source: Platinum for PAI returns and RIMES Technologies for MSCI returns. Performance results have been calculated using the pre-tax net tangible asset value as released to the ASX and represent the combined income and capital return of the investments for the specified period. Please note that the results are not calculated from the share price of PAI. 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. Past performance is not a reliable indicator of future results.

2. Source: Platinum for PAI returns and RIMES Technologies for MSCI returns. The investment returns depicted in this graph are cumulative on A\$20,000 invested in PAI since inception relative to the MSCI All Country Asia ex Japan Net Index in A\$ ("Index"). Performance results have been calculated using the pre-tax net tangible asset value and represent the combined income and capital return of PAI's investments for the specified period. Please note that the results are not calculated from the share price of PAI. 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. Past performance is not a reliable indicator of future results.

3. The "Long %" represents the exposure of physical holdings and long stock derivatives as a percentage of PAI's portfolio value. The "Net %" represents the exposure of physical holdings and both long and short derivatives as a percentage of PAI's portfolio value. The "Currency %" represents the currency exposure for PAI as a percentage of PAI's portfolio value, taking into account currency hedging.

4. The "Top ten positions" shows PAI's top long share exposure positions as a percentage of PAI's portfolio value. Long derivative exposures are included. However, short derivative exposures are not.

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- Equity market weakness in Asia continued in June
- Underlying economic data is strong
- We are disposed to buy in this market

Asian markets and the portfolio saw further weakness in June, amid ongoing fears of both a trade war and a liquidity crunch affecting China. We remain disposed to buy, albeit gingerly without seeing real signs of panic or capitulation in markets at present, which would induce us to buy more aggressively.

Purchasing Manager's Index (PMI) readings in China continued to indicate expansion in June – with the unofficial Caixin at 51.0 and the official PMI at 51.5 (readings above 50 indicate expansion in activity). Both measures indicate some weakness in exports and export forward orders, offset by domestic expansion, giving the resulting, mildly expansionary reading\*.

Recent statements from the People's Bank of China indicate that the central bank will maintain a neutral stance, but are committed to maintaining “ample” liquidity in the system to facilitate ongoing deleveraging\*\*.

So – why have markets been so soft in Asia? Much of the answer lies in the fact that we are in the throes of the third-largest episode of foreign selling from Asian equities in history (after the GFC and the 2015 Chinese market sell-off), according to information from Goldman Sachs. Investors have been spooked by fears of trade war, perhaps. Or perhaps fears of over-tightening in China as the government continues its deleveraging efforts are to blame. Whatever the case, we remain sanguine about the structure of the market in China – with less than half of the margin debt outstanding now versus the 2015 episode according to Bloomberg. That said some leverage has migrated to “share pledges” on the A Share market, but these came under regulatory control months ago – regulators appear to have learnt the lessons of 2015.

For all that, the latest available economic data in China look strong, in keeping with the PMI readings mentioned above. Electricity production in June was up 9.8% p.a., industrial production in May was 6.8% on a year earlier, rail freight in May was up 5% p.a. and the residential property industry, which has been soft as inventories have been run down and the government discourages speculation, showed life with new building starts up 16% in the three months to May (all data courtesy of CICC). JPMorgan notes that Chinese vehicle sales were up 9.2% p.a. in May

Chinese industrial profits to May were up 16.5% on a year earlier (see accompanying chart), industrial profit margins, at 6.5% are near five year highs, while both rural and urban disposable incomes are growing at better than 8% (CICC).

Beyond China, economies across Asia are performing well. Deutsche Bank noted in a report this month that there are nine economies in the world that have seen improvements in PMIs in the last three months. Fully five of these are in non-Japan Asia – these are South Korea, Thailand, the Philippines, India and Vietnam (while China has scarcely changed).

While investors are selling cyclical and emerging market exposures, we are looking to buy. We believe the evidence for this confidence is strong.

Source:  
\* <https://www.cnbc.com/2018/07/02/caixin-china-pmi-june-manufacturing-purchasing-managers-index.html>

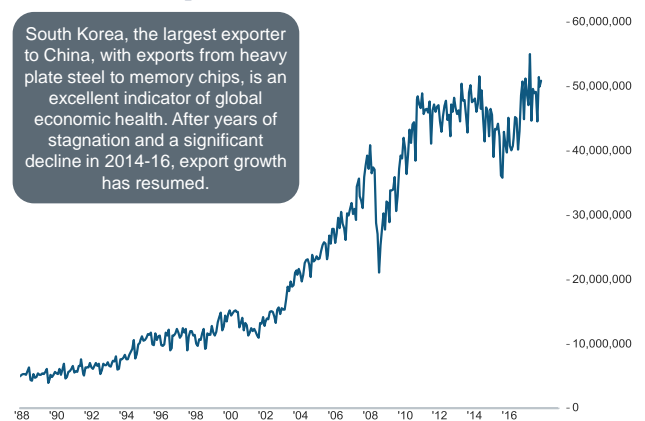
\*\* Reported by CICC, original source:  
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3567830/index.html>

### Industrial enterprise profit growth in China (% p.a.)



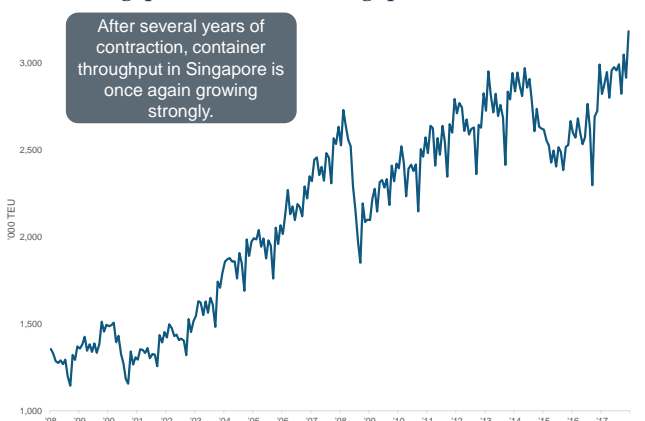
Source: FactSet

### South Korean exports ('000 USD)



Source: FactSet

### Port of Singapore container throughput '000 TEU



Source: Bloomberg  
Note: TEU signifies twenty-foot container equivalent.