

Facts

Portfolio value	\$367.00 mn
Portfolio Inception	29 June 1994
Current share price	\$1.580
Current dividend yield*	5.06% fully franked
Pre-tax NTA (ex-div)	\$1.5071 NTA retained earnings &
Post-tax NTA (ex div)	\$1.4696 dividend profit reserve* 17.44 cps
Max. franked dividend*	8.70cps *includes the impact of the 4 cps 2017 interim dividend payable on 13 March 2017

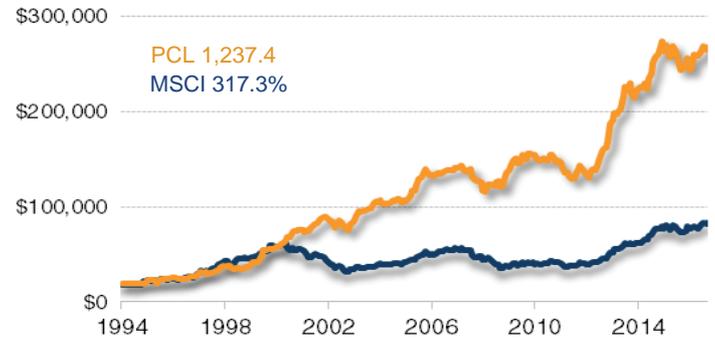
Performance¹

	FUND %	MSCI %
1 month	0.80	1.51
3 months	2.14	3.69
6 months	2.91	5.11
Calendar year to date	(0.35)	(0.53)
1 year	9.61	13.40
2 years (compound pa)	1.92	4.39
3 years (compound pa)	5.20	10.24
5 years (compound pa)	13.90	15.88
7 years (compound pa)	8.71	10.98
10 years (compound pa)	6.48	4.34
Since inception (compound pa)	12.12	6.51

Fees

Management fee:	1.1% p.a. of the portfolio value
Performance fee:	15% of the amount by which the portfolio's annual performance exceeds the return achieved by the MSCI All Country World Net Index

Performance graph²



Invested positions³

	LONG %	NET %	CURRENCY %
Australia	0.8	0.8	19.3
Canada	0.2	0.2	0.2
China	2.8	2.8	(2.9)
China Ex PRC	15.5	15.5	
Hong Kong	0.6	0.6	12.1
Denmark	0.5	0.5	0.5
France	5.8	5.8	
Germany	4.0	4.0	
India	5.7	5.7	5.9
Italy	5.1	5.1	
Japan	14.0	14.0	3.9
Korea	7.6	7.6	7.7
Malaysia	1.0	1.0	1.0
Nigeria	0.1	0.1	0.1
Norway	1.0	1.0	8.1
Russia	0.8	0.8	
Singapore	0.3	0.3	
Sweden	1.7	1.7	1.7
Switzerland	0.8	0.8	0.8
Thailand	1.2	1.2	1.2
United Kingdom	3.3	3.3	4.8
United States	18.0	8.2	28.3
Vietnam	2.5	2.5	2.5
Zimbabwe	0.6	0.6	
	93.7	83.9	
China Renminbi Off Shore			(7.2)
Euro Currency			12.1
Cash	6.3	16.1	
Total	100.0	100.0	100.0

Long - 101 stocks, 3 swaps, 1 bond Short - 2 stocks, 2 indices

Top ten positions⁴

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.7
Alphabet Inc	USA	Info Technology	3.0
Tencent Holdings Ltd	China Ex PRC	Info Technology	2.6
Kering	France	Cons Discretionary	2.2
Eni SpA	Italy	Energy	2.2
Sanofi SA	France	Health Care	2.1
Inpex Corporation Ltd	Japan	Energy	2.1
AstraZeneca PLC	UK	Health Care	2.0
KB Financial Grp	Korea	Financials	1.9
Cisco Systems Inc	USA	Info Technology	1.9

Industry breakdown³

SECTOR	LONG %	NET %
Info Technology	23.1	23.1
Cons Discretionary	15.2	15.1
Financials	13.8	13.8
Health Care	9.0	9.0
Materials	7.4	7.4
Energy	7.2	7.2
Industrials	6.9	6.9
Consumer Staples	6.2	5.1
Utilities	3.2	3.2
Other*	0.8	(7.9)
Telecom Services	0.7	0.7
Real Estate	0.2	0.2

* Includes index short positions

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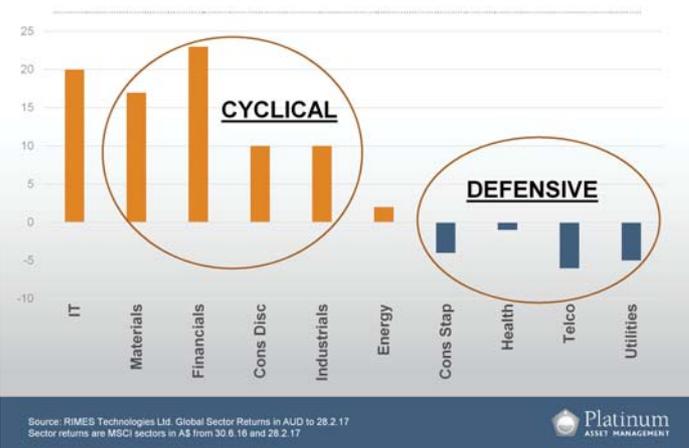
1. Source: Platinum for fund returns and RIMES Technologies for MSCI returns. Performance results have been calculated using the pre-tax net tangible asset value price as released to the ASX and represent the combined income and capital return of the investments for the specified period. Please note that the results are not calculated from the share price of PMC. The returns are calculated relative to the MSCI All Country World Net Index in A\$ (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). You should also be aware that performance results are calculated using historic points of reference. PMC and its directors cannot guarantee that such results will be replicated in the future; therefore, this information should not be used to make future investment decisions.

2. Source: Platinum for fund returns and RIMES Technologies for MSCI returns. The investment returns depicted in this graph are cumulative on A\$20,000 invested in PMC since inception relative to the MSCI All Country World Net Index in A\$ ("Index") (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). 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 PMC's investments for the specified period. Please note that the results are not calculated from the share price of PMC. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual 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. The "Long %" represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives as a percentage of PMC's net tangible asset value. The "Net %" represents the exposure of physical holdings and both long and short derivatives as a percentage of PMC's net tangible asset value. The "Currency %" represents the currency exposure for PMC's Portfolio as a percentage of PMC's net tangible asset value, taking into account currency hedging.

4. The "Top ten positions" show PMC's top long share exposure positions as a percentage of PMC's net tangible asset value. Long derivative exposures are included. However, short derivative exposures are not. 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/our-funds/platinum-capital-limited/#CompanyPerformance>

Sector Rotation since June



Platinum's current portfolio: key themes



US: Valuations: Not a Good Entry Point!



Indices Don't Reflect World, or even Markets



Market update and commentary

Investors may not have felt like they received a double-digit return over the last 12 months. Indeed since 30 June, the portfolio has returned 10% with only 80% exposure to a market that is up by 9%.

2016 was a year of dramatic change encapsulated by Brexit and Trump, but in markets, the significant change was what increasingly looks like the end of the 36-year bull market in bonds. This also appears to have been the peak in the hunt for bond-like equities which we had chosen to avoid.

What is being missed in all the analysis of Trump's policies, is the simple fact that global growth is accelerating. The US is the latest in its cycle with wage growth and tightening monetary policies, perhaps offset by some tax cuts; Europe is seeing a traditional cycle and growing well, re-balanced from pre-crisis and creating jobs; China is a year into its upswing and building momentum in its economy.

In terms of opportunity when we look around the world, the key themes include US tech, European banking, Chinese consumer, Indian infrastructure and Japanese self-help.

The risks we are cognisant of, and are managing, are over-valuation in the US (hence the shorts), devaluation of the Chinese currency if outflows persist (managed via short), and a rising Australian dollar (as Terms of Trade improvements have not yet flowed through to the local unit).

Equity market drivers have changed; geography has not had much impact over recent months, rather it has been the type of companies one has owned. The chart above defines four cyclical sectors, with a simple average return of 15% since 30 June, and four safe havens which have lost 4% each on average. The crowding into safety was most intense as paradoxically safe became risky.

Today, the risk for most investors after one of the longest US bull markets in history is the passive bandwagon, effectively arguing that there is no value in stock-picking. We dispute this assertion. The trend to passive is self-reinforcing as it allocates more money to stocks that have already gone up i.e. it is a momentum strategy. Crowded momentum strategies inevitably end badly.

The table shows that the returns of the portfolio since the markets shifted in June, could not be replicated passively. The column "ETF outcome" looks at the return an ETF for the region would have achieved had we bought that instead of the stocks we own, in the same proportions we have in each region.

^"ETF Outcome%" = Net Exposure% X Index Return%

The index returns relate to MSCI AC Asia ex Japan, MSCI AC Europe, MSCI USA, MSCI Japan. Cash is RBA Cash Rate.

ETF is assumed to achieve index return.

The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance.

Region	(Net) Exposure	Index Return	"ETF Outcome" [^]	Portfolio Contribution
Asia-Pacific	36	10	3.6	5.4
Europe	23	5	1.2	1.8
Japan	13	10	1.3	2.1
US	6	10	0.6	0.3
Cash/ FX	21	1.5 (RBA)	0.3	1.1
Net Return			7.0	10.7