

**Facts**

Portfolio value	\$502.0 mn	
Portfolio inception	29 June 1994	
Current share price	\$1.920	
Current dividend yield	5.21%	
Pre-tax NTA	\$1.7497	NTA retained earnings &
Post-tax NTA	\$1.6460	dividend profit reserve 31.45 cps
Max. franked dividend	10.49 cps	

**Performance<sup>1</sup>**

	FUND % (Pre-tax NTA)	MSCI %
1 month	0.01	2.39
3 months	(2.48)	4.17
6 months	(1.50)	5.76
Calendar year to date	1.31	7.92
1 year	14.47	19.17
2 years (compound pa)	16.01	15.24
3 years (compound pa)	7.71	8.50
5 years (compound pa)	11.24	13.22
7 years (compound pa)	13.27	14.90
10 years (compound pa)	11.31	8.92
Since inception (compound pa)	12.45	7.08

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>**

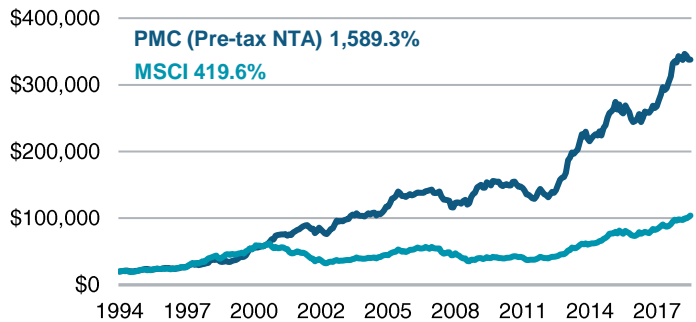
	LONG %	NET %	CURRENCY %
Australia	0.9	0.9	0.6
Canada	2.0	2.0	2.0
China	6.9	6.9	6.9
China Ex PRC	15.6	15.6	
Hong Kong	1.0	1.0	13.0
Denmark	0.6	0.6	0.6
France	2.5	2.5	
Germany	6.7	6.7	
India	5.0	5.0	5.1
Japan	14.8	14.8	10.8
Korea	6.2	6.2	6.2
Malaysia	1.1	1.1	1.1
Norway	2.6	2.6	2.6
South Africa	0.2	0.2	0.2
Switzerland	4.6	4.6	2.2
Thailand	1.1	1.1	1.1
United Kingdom	3.1	3.1	6.1
United States	12.0	(3.4)	29.2
Zimbabwe	0.8	0.8	
	87.7	72.3	
Euro Currency			12.1
Cash	12.3	27.7	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Long - 83 stocks, 2 swaps      Short - 6 stocks, 2 indices

**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 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	%
Siemens AG	Germany	Industrials	3.2
Ping An Insurance Grp	China	Financials	3.1
Samsung Electronics Co Ltd	Korea	Info Technology	3.0
Alphabet Inc	USA	Info Technology	2.5
Glencore PLC	Switzerland	Materials	2.4
Technip FMC	UK	Energy	2.3
Roche Holding AG	Switzerland	Health Care	2.2
Jiangsu Yanghe Brewery N	China	Consumer Staples	2.1
Nexon Co Ltd	Japan	Info Technology	2.1
Sanofi SA	France	Health Care	2.1

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

**Industry breakdown<sup>3</sup>**

SECTOR	LONG %	NET %
Info Technology	20.2	18.7
Financials	13.1	13.1
Industrials	11.4	11.4
Cons Discretionary	10.3	8.9
Materials	9.9	9.9
Health Care	7.4	5.5
Energy	6.6	6.6
Consumer Staples	4.0	2.5
Telecom Services	2.1	2.1
Real Estate	2.0	2.0
Utilities	0.7	0.7
Other*	0.0	(9.0)

\* Includes index short positions

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1. Source: Platinum for PMC returns and RIMES Technologies for MSCI returns. Performance results have been calculated using the pre-tax net tangible asset value 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). Past performance is not a reliable indicator of future returns.

2. Source: Platinum for PMC 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 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 returns.

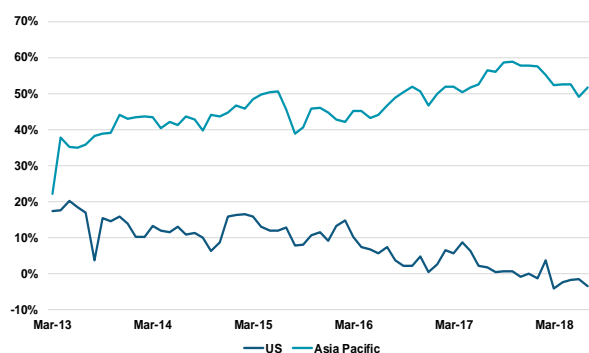
3. The "Long %" represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives as a percentage of PMC's portfolio value. The "Net %" represents the exposure of physical holdings and both long and short derivatives as a percentage of PMC's portfolio value. The "Currency %" represents the currency exposure for PMC's Portfolio as a percentage of PMC's portfolio 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 portfolio 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>.

- Portfolio dominated by Asia-Pacific stocks (net exposure 52%); entirely out of the US (net exposure -3%)
  - We have been recycling technology profits into Resources and Industrials over last two years
  - Performance strong post-Brexit vote but we remain optimistic by not having a US-centric view
- Calendar year 2017 was very strong (24% return) for the Company's NAV, driven by Asia, and by beneficiaries of synchronous global growth such as commodities, banks and semi-conductors.
  - 2018 has been more of a grind (1% return calendar year-to-date). Each of trade wars, Chinese financial system reform and rising US rates have had an impact, though in anticipation of a harder slog, we had reduced the portfolio's net exposure to around 75% in March. We saw a broad exodus from emerging markets and a rush to FAANGs. In the June quarter, the tech-heavy Nasdaq rose 9% while the Shanghai Composite fell 23%<sup>1</sup>.
  - Examining performance calendar year-to-date, North America and European stocks have added 4% to returns (net exposure 22%) while in Asia Pacific (net exposure 55%) was a 2% drag, weighed by North Asian financials and value investments in a bifurcated Japan.
  - Sector wise, Healthcare and IT, led by Google's parent, Alphabet added 3% to returns year to date, while Financials, dragged down by North Asia cost 1% year to date. The effects of currency management and shorting have been broadly neutral.
  - Price is the key determinant of returns and hence we look at the portfolio with increasing enthusiasm. Over the last six months, while some stocks were weak, earnings have continued to grow and we have been recycling capital from winners towards those with improved return prospects. The charts show the longer term positioning trends.
  - At 31 January 2018, the average forward P/E in the long portfolio was 14.6x, while by 31 July 2018, it was 12.1x, or an effective earnings yield of over 8%. Additional protection seeks to remove market risk and targets a handful of companies.

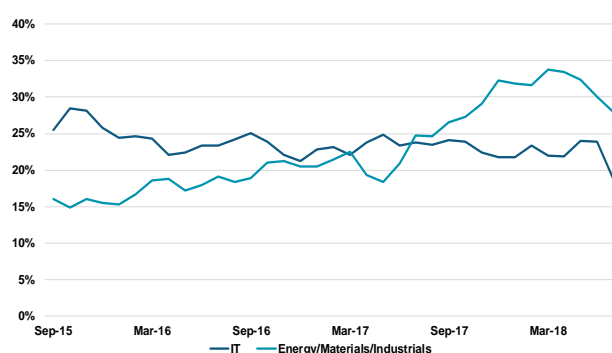
### Platinum Capital Limited

Net Region Exposure – US vs. Asia Pacific



### Platinum Capital Limited

Net Sector Exposure – IT vs. Energy/Materials/Industrials



Source: Platinum Investment Management Ltd.  
Net Region Exposure represents the portfolio's exposure to these regions through securities and long and short derivatives as a % of the portfolio's NAV.

Source: Platinum Investment Management Ltd.  
Net Sector Exposure represents the portfolio's exposure to these sectors through securities and long and short derivative positions as a % of the portfolio's NAV.

We see China as the investment opportunity of a generation. Tighter credit availability due to financial reforms and trade tensions have weighed heavily.

However, currently the Shanghai A share index is back to the lows of January 2016<sup>1</sup>. Then the country had just been through a period of capital flight, heavy industry was plagued by excess capacity and there loomed the possibility of non-performing loans triggering a banking crisis. Today, supply side reforms have resolved the issue of excess capacity, profitability of heavy industry is much improved and the likelihood of a full blown banking crisis is much lower.

It is hard to know when these various fears will subside, allowing the market to move higher. We talked in 2016 about the coiled spring that was building up in the valuation discrepancies between cyclicals and Asian stocks, and the much-loved growth stocks. Recent moves suggest that spring is tightening again, with the torrent of money flowing out of emerging markets and rushing back into certainty. Overall, a combination of negative sentiment and attractive valuations tend to be indicative of strong future returns from any market, at the moment this particularly applies to China and its neighbours in North Asia such as Korea and Japan.

Bear markets tend to be caused by either extreme valuation or by an economic slowdown. We think recent reactions to news have re-calibrated prices and we can look forward from here.

The US market is the only one where valuation is a major headwind. We do not think that the US is yet heading for a dramatic economic slowdown but the Company's exposure is hovering close to zero at a net level.

Andrew Clifford has been running the Company's portfolio since 1 July 2018 and the transition from Kerr has been smooth. Kerr in his role as an analyst is engaging in debate and bringing new ideas to the group.

In summary, the last quarter was uncomfortable as investors fled to safety, but we are excited by the valuations and the prospects of the companies that we own, and with slightly higher levels of protection being carried than in recent years, we are ready to deploy capital into new ideas as they present themselves.