

Facts

Portfolio value	\$480.0 mn	
Portfolio inception	29 June 1994	
Current share price	\$1.865	
Current dividend yield	5.36%	
Pre-tax NTA	\$1.6655 NTA retained earnings &	
Post-tax NTA	\$1.5801 dividend profit reserve	24.66 cps
Max. franked dividend	8.48 cps	

Performance¹

	FUND % (Pre-tax NTA)	MSCI %
1 month	(0.05)	0.39
3 months	(0.55)	6.48
6 months	(0.40)	11.14
Calendar year to date	0.74	12.23
1 year	7.32	19.04
2 years (compound pa)	14.04	17.37
3 years (compound pa)	9.32	12.27
5 years (compound pa)	10.94	14.38
7 years (compound pa)	13.86	16.42
10 years (compound pa)	10.51	9.13
Since inception (compound pa)	12.33	7.20

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 positions³

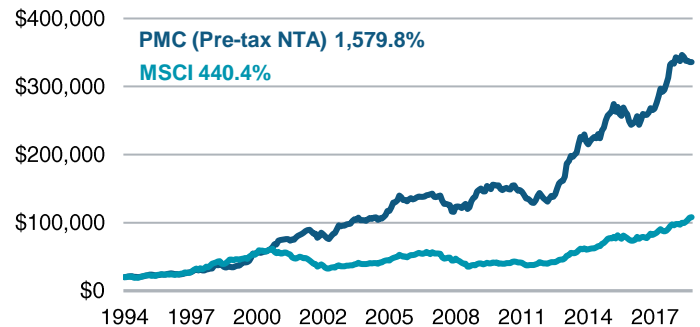
	LONG %	NET %	CURRENCY %
Australia	0.8	0.8	0.5
Austria	0.5	0.5	
Canada	2.5	2.5	2.5
China	7.9	7.9	7.9
China Ex PRC	13.6	13.6	
Hong Kong	1.1	1.1	13.7
Denmark	0.6	0.6	0.6
France	2.8	2.8	
Germany	5.8	5.8	
India	4.9	4.9	5.0
Italy	0.5	0.5	
Japan	13.2	13.0	10.7
Korea	6.7	6.7	6.7
Malaysia	0.3	0.3	0.4
Norway	3.4	3.4	3.4
Switzerland	5.1	5.1	2.3
Thailand	1.1	1.1	1.1
United Kingdom	3.3	3.3	6.6
United States	12.3	(3.2)	26.3
Zimbabwe	0.8	0.8	
	87.4	71.6	
Euro Currency			12.1
South African Rand			0.2
Cash	12.6	28.4	
Total	100.0	100.0	100.0

Long - 80 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 graph²



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 positions⁴

STOCK	COUNTRY*	INDUSTRY	%
Ping An Insurance Grp	China	Financials	3.7
Samsung Electronics Co Ltd	Korea	Info Technology	3.3
Siemens AG	Germany	Industrials	3.2
Glencore PLC	Switzerland	Materials	2.9
Alphabet Inc	USA	Info Technology	2.6
Technip FMC	UK	Energy	2.4
Roche Holding AG	Switzerland	Health Care	2.3
China Overseas Land & Invst.	China	Real Estate	2.3
Sanofi SA	France	Health Care	2.3
Schibsted ASA	Norway	Cons Discretionary	2.2

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

Industry breakdown³

SECTOR	LONG %	NET %
Info Technology	17.6	15.6
Financials	14.8	14.8
Materials	12.2	12.2
Industrials	11.0	11.0
Cons Discretionary	9.6	8.0
Energy	7.1	7.1
Health Care	6.8	5.3
Consumer Staples	4.1	2.7
Real Estate	2.3	2.3
Telecom Services	1.9	1.9
Other*	0.0	(9.3)

* 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.

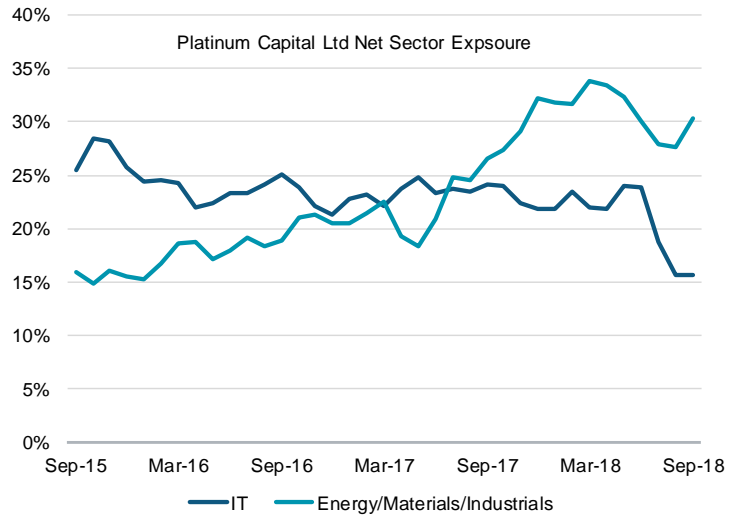
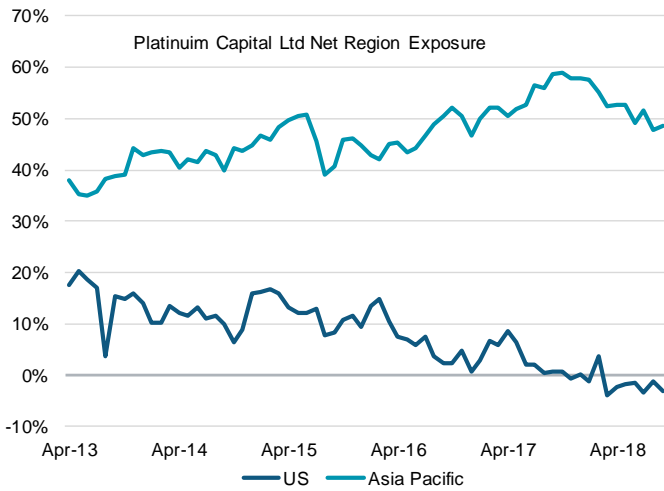
2. Source: Platinum for PMC returns and RIMES Technologies for MSCI returns. The investment returns depicted in this graph are cumulative on A\$20,000 invested in PMC since inception relative to the MSCI All Country World Net Index in A\$ ("Index") (nb. the gross MSCI Index was used prior to 31 December 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.

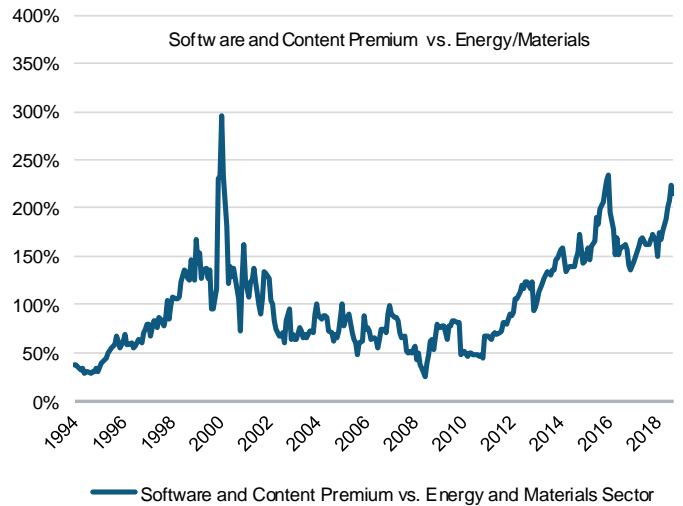
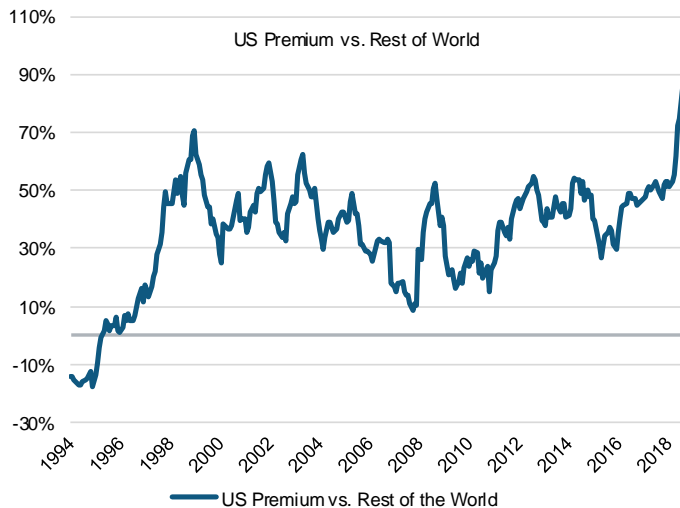
4. The "Top ten positions" show PMC's top long share exposure positions as a percentage of PMC's portfolio value. Long derivative exposures are included. However, short derivative exposures are not. All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted 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>.

- Multi-year portfolio migration away from US (-3.2%) toward Asia Pacific (now 49%)
- Energy, Materials and Industrials increased allocation in recent years (now 30%)
- Tougher 2018, with market punishing cyclicals and Asia, yet the portfolio is up slightly YTD

- The portfolio has been hit by fear around rising US interest rates, Trump's "trade war" and financial reform in China. Some also fear Turkey is a canary in the coal mine. These issues are not new, but unlike in 2017, they now cause alarm. Market sentiment has been hit hard, especially in China, but most importantly, economic and company data remains robust. Andrew Clifford explores this in detail in the upcoming Quarterly Report.
- In light of the backdrop, we lightened net exposure around March and in July and August, took more pre-emptive action by trimming winners and increasing shorts but have also re-deployed some capital into over-sold stocks. There is tantalising value in pockets of the market. The portfolio is full of cheap stocks with growth drivers, coupled with a prudent degree of protection. The portfolio is on a forward P/E ratio below 11x.
- Over five years, we gradually reduced our US exposure and invested in Asia-Pacific with surges around the elections of Abe (Japan) and Modi (India) and around the 2014 lows of the Chinese bear market. Similarly, the 2015-16 oil price decline and detailed analysis uncovering electric vehicle beneficiaries has seen technology winners fund a shift to Energy, Materials and Industrials



Valuation drives our stock selection. Ideas tend to cluster in out-of-favour countries and sectors. In the history of Platinum (nearing 25 years), the US has not been more expensive relative to other markets; it came close in late 1998/early 1999 around the Asian crisis. Meanwhile, outside the tech bubble peak in 1999, Energy/Materials have not been cheaper relative to Software/Content.



Year-to-date, the portfolio is slightly up with decent gains earned in Europe and the US longs offset by the cost of shorting (mostly of selected expensive US indices) and from Asia, specifically Japan and Korea. China has made a very small positive impact. Put another way, gains in Healthcare, Technology and Energy have been offset by Cyclicals and our shorting. However, FX gains have offset the cost of shorting if we look at risk management holistically. However, the portfolio fell a touch over the last quarter, mostly impacted by the third of the portfolio positioned in China and Japan, which cost over 1%. US shorts offset gains on US longs. The biggest contributors were Alphabet (Google parent), Schibsted, Ping An, Sanofi and a short on Tesla.

Over the quarter, the MSCI US Net Index (\$A) was up 10% while the MSCI All Country ex US Net Index (\$A) rose only 3%. Over 6 months (Apr-Sep 2018) this gap widens to +18% vs. +4%. Much of this has been driven by the rising US dollar and sector composition of markets. The key drivers of market returns are highly priced technology stocks.

We focus on absolute returns, but from a relative perspective it has been the toughest 4 months since late 1998 with this dramatic bifurcation of returns. From February 1999, as the US premium eroded and the technology bubble burst, the portfolio's positioning aided its returns over the five year period. This of course is only one episode, but the point is, we have seen it before. The market's spring seems coiled far too tightly and we believe we are well positioned for when value trumps momentum.

Notes:
 Chart 1 Portfolio Net Region Exposure – Platinum Investment Management Ltd
 Chart 2 Portfolio Net Sector Exposure – Platinum Investment Management Ltd
 Chart 3 US Premium v World: Based on Factset data ex-financials, using market cap weighted price to book, and price to earnings for US, Asia ex Japan, Japan and Europe. P/B premium and P/E premium measured as US Valuation relative to simple average of the other 3 regions. US Premium is average of the two metrics.
 Chart 4 Software/Content Premium v Energy/Materials: Based on Factset data, using market cap weighted price to book, and price to earnings for software & content, and energy & materials. Premium in chart is simple average of P/B Premium and P/E Premium.