

Facts

Portfolio value	\$432.9 mn
Portfolio inception	29 June 1994
Current share price	\$1.755
Current dividend yield	5.70%
Pre-tax NTA	\$1.5025
Post-tax NTA	\$1.4857
Maximum franked dividend	12.21 cps
NTA retained earnings & div profit reserve	15.22 cps

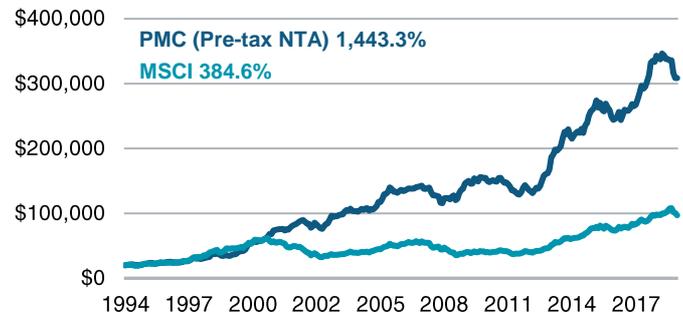
Performance¹

	Company % (Pre-tax NTA)	MSCI %
1 month	0.01	(3.58)
3 months	(8.13)	(10.33)
6 months	(8.63)	(4.52)
Calendar year to date	(7.45)	0.64
1 year	(7.45)	0.64
2 years (compound pa)	7.24	7.47
3 years (compound pa)	5.99	7.77
5 years (compound pa)	6.46	9.38
7 years (compound pa)	13.28	14.36
10 years (compound pa)	9.42	9.35
Since inception (compound pa)	11.81	6.65

The Company's return is calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows, and assumes the reinvestment of dividends. Returns are not calculated using the Company's share price.

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 Company's return is calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows, and assumes the reinvestment of dividends. Returns are not calculated using the Company's share price.

Invested positions³

	LONG %	NET %	CURRENCY %
Australia	0.7	0.2	0.7
Austria	1.0	1.0	
Canada	2.4	2.4	2.4
China	6.5	6.5	6.5
China Ex PRC	15.1	15.1	
Hong Kong	1.2	1.2	14.0
Denmark	0.4	0.4	0.4
France	3.1	3.1	
Germany	5.0	5.0	
India	5.8	5.8	5.9
Italy	1.0	1.0	
Japan	12.1	11.4	21.6
Korea	6.6	5.6	5.6
Malaysia	0.2	0.2	0.2
Norway	3.3	3.3	3.3
Switzerland	5.3	5.3	2.7
Thailand	0.5	0.5	0.5
United Kingdom	1.7	1.4	4.8
United States	12.9	1.8	33.5
Zimbabwe	1.3	1.3	
	86.1	72.6	
China Renminbi Off Shore			(15.7)
Euro Currency			13.5
Cash	13.9	27.4	
Total	100.0	100.0	100.0

Long - 83 stocks, 2 swaps Short - 14 stocks, 1 index

Top ten positions⁴

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.1
Glencore PLC	Switzerland	Materials	2.9
Ping An Insurance Grp	China	Financials	2.7
Alphabet Inc	USA	Communication Serv.	2.6
China Overseas Land & Invest.	China	Real Estate	2.5
Roche Holding AG	Switzerland	Health Care	2.4
Sanofi SA	France	Health Care	2.2
Jiangsu Yanghe Brewery	China	Consumer Staples	2.1
PICC Property & Casualty Co	China	Financials	2.0
Siemens AG	Germany	Industrials	2.0

Industry breakdown³

SECTOR	LONG %	NET %
Communication Services	16.3	16.3
Financials	14.3	13.8
Materials	12.8	12.8
Industrials	11.1	11.1
Cons Discretionary	7.3	5.0
Info Technology	6.9	6.1
Health Care	6.2	4.2
Energy	5.8	5.8
Consumer Staples	3.0	0.7
Real Estate	2.5	2.5
Other*	0.0	(5.6)

* Includes index short position

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1. & 2. Source: Platinum for PMC returns and RIMES Technologies for MSCI returns. 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). The investment returns depicted in the graph are cumulative on A\$20,000 invested in PMC since inception. Past performance is not a reliable indicator of future returns. 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.

3. China refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies. The "Long %" represents the exposure to direct securities holdings and long stock/index derivatives as a percentage of PMC's portfolio value. The "Net %" represents the exposure to direct securities holdings and both long and short stock/index derivatives as a percentage of PMC's portfolio value. The "Currency %" represents the effective currency exposure of PMC's portfolio as a percentage of PMC's portfolio value, taking into account currency exposures through securities holdings, cash, forwards and long and short stock/index derivatives.

4. The "Top ten positions" show PMC's top ten long positions as a percentage of PMC's portfolio value. Direct securities holdings and long stock derivatives are included. However, short stock derivatives are not included.

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- **Weakest quarter for global markets since March 2009.**
- **Portfolio conservatively positioned.**
- **After multi-year migration, portfolio biased towards Asia-Pacific (47% net exposure) and away from US (2% net exposure).**

Whilst PMC's portfolio value stayed broadly flat during the sharp declines of December, the global index* ended 2018 with its worst quarter since Q1 2009 – the height of the GFC. The index* returned over 200% in a bullish market environment from 31 March 2009 to 30 September 2018.

The market* has only fallen by 10% or more 6 times since PMC's inception. Two of these episodes developed into bear markets -> markets fell 48% over 29 months from 31 October 2000, and 38% over 22 months from 31 May 2007. PMC's portfolio value grew 18% in the first case, and fell 13% in the latter.

The other four periods, including the current episode, are compared below:

Period	Duration (months)	Index return *	Portfolio return (pre-tax NTA) ^
31 Jul 1998 – 30 Sep 1998	2	-10%	-9%
28 Feb 2011 – 30 Sep 2011	7	-13%	-13%
31 Jul 2015 – 31 Mar 2016	8	-10%	-9%
30 Sep 2018 – 31 Dec 2018	3	-10%	-8%

Past performance is not a reliable indicator of future returns.

While the precise causes of any sell-off are hard to define, key factors that have concerned investors include China's slowdown, triggered by financial reform and exacerbated by the impact of trade "war" and rising US rates, coupled with a more general global tightening. Encouragingly, the Chinese government has recently loosened policy and the market has started to question how far US rates will rise. Trade talks continue, but with pain now being felt in the US, a resolution seems more likely. If 2018's headwinds reverse, this could help sentiment.

Looking forward, remember the market has already absorbed the media's alarmist headlines. During the first 9 months of 2018, we reduced PMC's net exposure considerably, realising profits and adding shorts; we have tentatively added to PMC's long exposure since October. Market moves have been relatively sharp already; China and emerging markets peaked as early as January (as discussed last month) – many stocks are now down 30-50%. Last month's comments on momentum and market breadth remain relevant.

Looking at the portfolio - long positions have an average forward PE of 10x (market* = 14x; PMC's portfolio was on 15x a year ago). On price to book, the portfolio averages 1.4x, compared with the market at 2.2x. Valuations across PMC's portfolio are highly attractive. A reasonable cash balance provides optionality, and short positions should add some protection.

Our goal is to generate capital growth from investing in mispriced equities whilst trying not to lose clients' money. We believe that, over a cycle, our strategy will generate better outcomes than the market. If September 2018 turns out to be the top of the market – the prior peak being May 2007 – then peak to "peak" our cumulative return of 139% (annualised 8.0% p.a.) bested the market's 90% (annualised 5.8% p.a.) for cumulative outperformance of 49% (annualised 2.2% p.a.).

Whilst PMC's ten-year returns are similar to the index, this has been achieved with only a 76% average net exposure during the strongest ten-year period for global markets since PMC commenced in 1994. Last month's comments on end point bias remain appropriate.

Looking at the last quarter, long positions in Europe and North America cost the portfolio a total of 6%, with oil-related exposures hurting the most. Shares of Transocean, TechnipFMC and Seven Generations fell hard as oil prices plummeted.

The top four contributors over the quarter were short positions which added over 2%, while currency management also added a little. Among the leading positive long contributors were Indian banks and a Chinese property company (China Overseas Land & Investment), suggesting the region's markets may be basing. While Asia and Japan each cost the portfolio 2%, there is around three times the capital deployed in Asia.

More detail on the macro environment, and on the activity within the portfolio, will be in the Quarterly Report, which will be available on our website from 21 January 2019.

* "Index", "the market" and "global market(s)" all refer to the MSCI All Country World Net Index (A\$).

^ Source: Platinum for PMC's portfolio returns and RIMES Technologies for MSCI index returns. Portfolio returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows, and assume the reinvestment of dividends. Portfolio returns are calculated using PMC's pre-tax NTA backing per share, and are not calculated using PMC's share price.