

Facts

Portfolio value	\$454.11 mn
Portfolio Inception	29 June 1994
Current share price	\$1.57
Current dividend yield	5.73%
Pre-tax NTA	\$1.5686
Post-tax NTA	\$1.5259
Maximum franked dividend	8.79 cps
NTA retained earnings & div profit resv.	19.11 cps

Performance¹

	Company % (Pre-tax NTA)	MSCI %
1 month	4.05	5.20
3 months	1.46	4.88
6 months	9.47	16.60
Calendar year to date	9.47	16.60
1 year	0.01	11.33
2 years (compound pa)	7.52	13.13
3 years (compound pa)	11.47	13.85
5 years (compound pa)	8.60	12.64
7 years (compound pa)	14.12	15.98
10 years (compound pa)	9.37	11.72
Since inception (compound pa)	11.97	7.17

PMC's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PMC's returns have not been calculated using PMC's share price.

Invested positions³

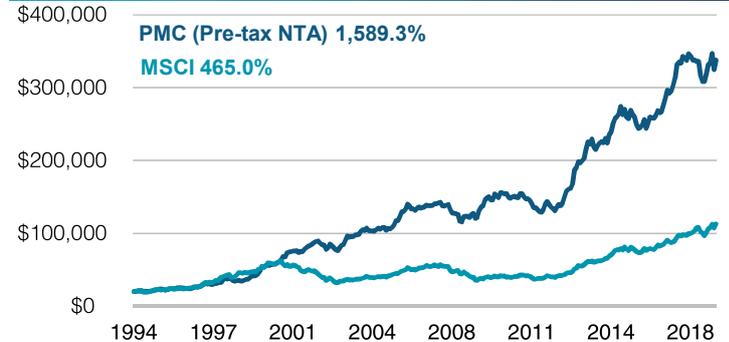
	Long %	Short %	Net %	Currency %
Asia-Pacific	47.4	(4.2)	43.2	36.8
Australia	0.6	(0.3)	0.3	0.6
China	9.9		9.9	9.9
China Ex PRC	13.1		13.1	
Hong Kong	1.2		1.2	13.9
India	5.4		5.4	5.5
Japan	10.6	(3.0)	7.5	16.1
Korea	6.2	(0.9)	5.3	5.3
Thailand	0.5		0.5	0.5
China Renminbi Off Shore				(15.0)
Europe	16.7	(3.7)	13.0	21.9
Austria	1.0		1.0	
Denmark	0.4		0.4	0.4
France	2.8		2.8	
Germany	2.4	(3.1)	(0.7)	
Ireland	0.9		0.9	
Italy	1.0		1.0	
Norway	1.5		1.5	2.3
Switzerland	4.3		4.3	1.6
United Kingdom	2.5	(0.6)	1.9	4.5
Euro				13.1
North America	21.6	(14.4)	7.2	40.5
Canada	2.0		2.0	2.0
United States	19.6	(14.4)	5.2	38.4
Other	1.1	(0.2)	0.9	0.8
Brazil	0.6	(0.2)	0.4	0.2
Zimbabwe	0.6		0.6	0.6
Sub-Total	86.9	(22.6)	64.3	100.0
Cash	13.1		35.7	
Total	100.0		100.0	100.0

Long - 80 stocks, 2 swaps Short - 14 swaps, 3 indices

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 World Net Index

Performance graph²



PMC's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PMC's returns have not been calculated using PMC's share price.

Top ten positions⁴

Stock	Country	Industry	%
Ping An Insurance	China	Financials	4.6
Samsung Electronics Co Ltd	Korea	Info Technology	3.5
Facebook Inc	United States	Comm Services	3.2
Glencore plc	Switzerland	Materials	2.6
China Overseas Land & Investment	China	Real Estate	2.5
Technip FMC Ltd	UK	Energy	2.5
Alphabet Inc	United States	Comm Services	2.3
Bharti Airtel Ltd	India	Comm Services	2.3
Jiangsu Yanghe Brewery	China	Consumer Staples	2.1
PICC Prop & Casualty	China	Financials	2.1
Total			27.6

Industry breakdown³

Sector	Long %	Short %	Net %
Financials	16.6		16.6
Materials	11.7		11.7
Communication Services	11.7		11.7
Industrials	11.0	(0.3)	10.8
Info Technology	11.7	(4.3)	7.5
Consumer Discretionary	8.9	(2.1)	6.8
Energy	4.6		4.6
Real Estate	2.5		2.5
Health Care	4.4	(2.0)	2.4
Consumer Staples	3.8	(1.9)	1.9
Other		(12.1)	(12.1)

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the investment manager of Platinum Capital Limited ("PMC"). This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Neither PMC nor Platinum, guarantee the performance of PMC, the repayment of capital or the payment of income. The market commentary reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by PMC or Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by PMC or Platinum for any loss or damage as a result of any reliance on this information.

1. & 2. Source: Platinum for portfolio returns and Factset Research Systems for MSCI returns. The returns are calculated relative to the MSCI All Country World Net Index in A\$ (except the gross MSCI Index was used prior to 31/12/98). The investment returns in the line graph are cumulative on A\$20,000 invested in PMC since inception. **Past performance is not a reliable indicator of future returns.** Platinum does not invest by reference to the weightings of the index. The index is provided as a reference only.

3. The "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of PMC's portfolio value. The "Currency %" is the effective currency exposure of PMC's portfolio as a percentage of its portfolio value, taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. For the "Industry breakdown", index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".

3. and 4. China generally refers to securities or derivatives over securities, which securities are listed on the Shanghai or Shenzhen stock exchange. China Ex PRC generally refers to securities or derivatives over securities, which securities are listed outside of the PRC but provide exposure to PRC companies.

4. The "Top ten positions" show PMC's top ten long securities positions as a percentage of PMC's portfolio value (including long securities and long securities derivative positions).

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/Special-Pages/Terms-Conditions>

- Strong June return of 4% as markets rebounded take YTD returns to a solid 9%.
- Trade situation calmed for now and extreme level of protection reduced.
- Market divergence extreme between “expensive” and “cheap” suggests parallels with 1999.
- Longer term performance numbers distorted by challenges of last 14 months.

Update

Following swift protective action in May to protect investors from any escalation of the trade situation, the portfolio positioning remains highly dynamic. As tensions eased, the index short positions approximately halved to reflect a better short-term environment, leading to what might be described as neutral net exposure of 73% by 2 July, noting the figures overleaf were pre-this payment. The cost of having shorts in place during May and June was 0.4% as markets reached all-time highs.

As highlighted on our recent roadshow and in our 19 June market update, the market is increasingly bifurcated with investors paying up for “perceived safety” or “secular growth” whilst shunning businesses with any economic sensitivity. This crowding is reminiscent of the technology bubble of 1999/2000 which is the only example in living memory of such extreme divergence. Platinum’s approach of “avoiding the crowd” is being tested to the extent that stocks which are expensive are becoming more so, and those which are cheap, are becoming cheaper. This is a great set-up when looking forward, but feels very uncomfortable whilst it unfolds. That the portfolio, which is full of leading companies in their fields, has an average earning yield of 9% and suggestive of crisis-type valuations, is very encouraging for us. Further to this is the ability to short sell where the excesses are particularly apparent, and this includes the technology-heavy Nasdaq Index, along with individual companies.

More detail on the portfolio is contained in the quarterly report, which will be published around 17 July.

Performance

Over the last 12 months, the portfolio returned 0% which is disappointing versus our general expectations, but well within its normal range, with one-quarter of the portfolio’s 25 previous financial years seeing negative outcomes.

The key problem during the last year has been exposures to energy and materials, which cost almost 4% over the year. Risk management (shorts and FX) ended up having no aggregate impact over the year, though the low net position was a relative drag in a rising market.

Looking at the geographic make up of returns, Asia was the major contributor at 5% driven by financials. Japan and Canada weighed, with stock specific issues in the former, and resources exposure in the latter, the key challenges.

In the portfolio the top performers were dominated by Asian Financials – Chinese insurer, Ping An Insurance and Chinese property developers, China Overseas Land; Indian banks - ICICI and Axis; Swiss healthcare company – Roche; Norwegian media company - Schibsted and two stock specific shorts – Nvidia and Tesla.

It is noteworthy when looking at index returns for the MSCI AC World Net Index, half the return came from 40 of around 2,800 stocks. Of these 40, 34 were listed in the US, and sector-wise, 33 were in IT/Telecoms, Healthcare or Consumer sectors. This group is on a median forward P/E of 22x.

Long-term outcomes

- We are in an extended market cycle, with three corrections (2011, 2015-16, 2018) since the last bear market (May 2007 to March 2009). Ten-year numbers reflect only a bull market environment. Over the last 12 year cycle, since the last peak, the portfolio has beaten the market handsomely.
- The disappointing relative outcome of the last 14 months affects returns over all longer periods. This has been explained in detail in last month and this month’s report. More than two thirds of the underperformance over 10 years can be ascribed to this recent period.
- For the duration of the current bull market, the average net portfolio exposure to markets has been 75%. The portfolio return is 80% of the market return over the last 10 years.
- We view risk as permanent loss of capital, and act accordingly, ignoring benchmarks in portfolio construction. As part of our risk management process, the portfolio has rarely invested more than one third of its capital on an individual exchange. The US index weighting in the index exceeds 50%. Over the past decade, the US returned 16% pa, far exceeding Asia (9% pa), Europe (8% pa) and Japan (7% pa). The portfolio, at 9.4% pa, is ahead of these three regional outcomes over 10 years.

This table illustrates yearly returns over the market cycle so far, to remove any end-point bias. It also shows the returns of the US versus the rest of the World and the average net exposure of the portfolio. The averages to the right show 10 year annualised returns compared alongside 10 year annualised returns one year ago to show base year effect, and the 12 year annualised returns to reflect the current market cycle.

Financial Year To 30 June	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009- 2018 (p.a.)	2010- 2019 (p.a.)	2008- 2019 (p.a.)
% PMC	(17)	18	12	(6)	(8)	42	17	18	(7)	20	16	0	11	9	8
MSCI AC World Net \$A	(20)	(16)	7	3	(2)	31	19	24	(1)	15	15	11	9	12	6
MSCI US	(23)	(14)	9	3	9	34	20	31	6	14	18	15	12	16	9
MSCI AC World ex US Net \$A	(17)	(18)	6	2	(11)	27	18	16	(7)	17	11	7	5	8	3
% Net Exposure	61	67	62	73	72	78	80	83	75	78	79	72	75	75	73

Source: Platinum Investment Management Limited and FactSet. PMC’s returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PMC’s returns have not been calculated using PMC’s share price. **Past performance is not a reliable indicator of future returns.**