

Facts

Portfolio value	\$410.9 mn
Portfolio Inception	29 June 1994
Current share price	\$1.255
Current dividend yield	4.78%
Pre-tax NTA	\$1.4127
Post-tax NTA	\$1.4129
Maximum franked dividend	12.17 cps
NTA retained earnings & div profit resv.	7.90 cps

Performance¹

	Company % (Pre-tax NTA)	MSCI %
1 month	(6.71)	(8.88)
3 months	(10.71)	(9.69)
6 months	(7.18)	(5.59)
Calendar year to date	(10.71)	(9.69)
1 year	(2.92)	3.00
2 years (compound pa)	(2.10)	6.82
3 years (compound pa)	5.38	9.23
5 years (compound pa)	4.44	7.51
7 years (compound pa)	10.41	13.38
10 years (compound pa)	7.57	10.26
Since inception (compound pa)	11.41	6.88

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

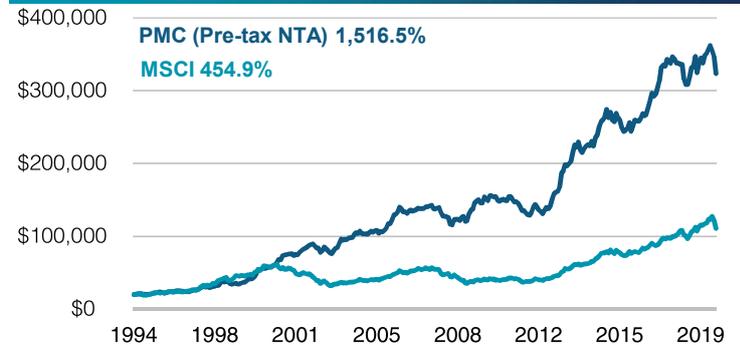
	Long %	Short %	Net %	Currency %
Asia-Pacific	41.9	(10.9)	31.1	45.5
Australia	0.6	(2.9)	(2.4)	10.4
China	4.6	(2.6)	2.0	2.0
China Ex PRC	14.0		14.0	
Hong Kong	1.9		1.9	11.6
India	1.8		1.8	1.8
Japan	13.3	(5.3)	8.0	23.0
Korea	5.4		5.4	5.5
Thailand	0.3		0.3	0.3
China Renminbi Off Shore				(9.1)
Europe	15.9	(0.8)	15.1	28.3
Austria	0.8		0.8	
Denmark	0.4		0.4	0.4
France	2.6		2.6	
Germany	3.0		3.0	
Ireland	1.0		1.0	
Italy	1.4		1.4	
Spain	1.7		1.7	
Sweden		(0.8)	(0.8)	(0.1)
Switzerland	3.9		3.9	2.0
United Kingdom	1.1		1.1	4.1
Euro				19.7
Norwegian Krone				2.2
North America	25.0	(13.8)	11.2	25.7
Canada	1.8		1.8	1.6
United States	23.2	(13.8)	9.4	24.1
Other	0.6		0.6	0.6
Brazil	0.4		0.4	0.4
Zimbabwe	0.2		0.2	0.2
Sub-Total	83.4	(25.5)	58.0	100.0
Cash	16.6	25.5	42.0	
Total	100.0		100.0	100.0

Long - 80 stocks, 2 swaps Short - 29 swaps, 4 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



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Top ten positions⁴

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.3
ZTO Express Inc	China	Industrials	3.3
Ping An Insurance	China	Financials	3.1
Alphabet Inc	United States	Comm Services	2.4
Facebook Inc	United States	Comm Services	2.3
China Overseas Land & Investment	China	Real Estate	2.2
Bayerische Motoren	Germany	Cons Discretionary	2.2
Toyota Motor Corp	Japan	Cons Discretionary	2.2
Micron Technology In	United States	Info Technology	2.2
Booking Holdings Inc	United States	Cons Discretionary	2.1
Total			25.4

Industry breakdown³

Sector	Long %	Short %	Net %
Info Technology	15.9	(4.0)	11.9
Industrials	12.6	(1.3)	11.3
Financials	11.1	(0.1)	11.0
Consumer Discretionary	12.6	(3.0)	9.6
Health Care	9.0	(0.6)	8.4
Materials	10.0	(2.3)	7.7
Communication Services	7.5	(0.7)	6.8
Real Estate	2.2		2.2
Energy	2.1		2.1
Consumer Staples	0.4	(3.3)	(2.9)
Other		(10.1)	(10.1)

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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 geographic "Long %" is the exposure to long securities and long securities/index derivative positions, the geographic "Short %" is the exposure to short securities and short securities/index derivative positions and the geographic "Net %" is the difference between the geographic "Long %" and the geographic "Short %", each as a percentage of the market value of the Fund's portfolio. The "Currency %" is the effective currency exposure as a percentage of the market value of the Fund's portfolio taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. The cash "Long %" includes cash at bank, cashflows expected from forwards and effective cash exposures resulting from long securities/index derivative positions, the cash "Short %" includes effective cash exposures resulting from short securities/index derivative positions and the cash "Net %" is the difference between the cash "Long %" and the cash "Short %", each as a percentage of the market value of the Fund's portfolio. 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).

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- Coronavirus induced sell-off dominates a difficult March for equity investors.
- Conservatively positioned portfolio cushions the blow with portfolio down less than market.
- Bifurcation between “growth and defensives” and the rest of market widens from already extreme levels.

Update:

March was another challenging month for equity investors, as the extreme sell-off driven by the COVID-19 pandemic continued. February and March saw markets¹ down 13%. Only January/February 2008 (-13.6%) was worse over Platinum’s history.

In simple terms, the forced removal of labour from the economy has caused a global recession and markets will struggle to make a sustained recovery until they can anticipate a clear path to a “return to work”. This could be driven by successful lockdown efforts, medical advances or simply political pressure. Meanwhile, governments will attempt to redistribute the impact but cannot create economic activity. The impact has been dramatic with major markets falling 30-40% and many stocks falling much more. We are working through a number of ideas, with two strong businesses, temporarily impaired, added to the portfolio so far: a travel technology firm and a semiconductor processing equipment company.

Our first responsibility is to try and protect investors from permanent impairment of capital and hence we have been very active on the short side. This cushioned the sell-off impact which at its most extreme saw the market² down 23% (20 February - 23 March) and the portfolio down 15% over the same period; shorts contributed +5% in that period.

Portfolios are moving to adapt to volatile markets. Net exposure as at close on 6 April is 60% net (86% long, 26% short).

Perspective:

Previously we have highlighted that at times our relative performance had suffered due to our cautious approach (our cash and short positions generally held back solid returns from the long portion of the portfolio over 1, 3, 5 and 10 years to December 2019) and our exposure to energy/ materials.

The caution was validated; markets had been enthusiastic ahead of COVID-19. Energy/Materials were punished, with the added impact of the oil shock. We are confident that the cases for our offshore oil capex investments and the regulation-driven migration to electric vehicles, are both impacted and deferred, but not cancelled.

Over the quarter, “growth and defensives” were flat³, with cyclicals down 15-20%⁴. Remembering, our philosophy is to look for the out-of-favour stocks.

Ironically, rising bond yields now pose a greater threat to portfolios. To fund COVID-19 responses, government debts are increasing. Central banks were already calling for fiscal spending. Funding this will put pressure on funding and if we see bond yields move higher, this will remove what is being used as a valuation support for the hotter parts of equity markets

Performance:

Portfolio outcomes were heavily influenced by markets and the categorisation (defined above) of “growth and defensive” versus “cyclicals” is instructive, as is geography, over the sell-off (20 February to 23 March) and the quarter. Even with the sell-off, Gilead and Fujifilm (leading candidates for COVID-19 treatments), Moderna (leading COVID-19 vaccine candidate) and Chinese logistics leader ZTO made positive contributions. Roche, Tencent and Bharti Airtel joined these as top contributors for the quarter, alongside the shorts.

Sell Off 20/02 to 23/03	Average Weight %	Contribution %	Average Return ⁵ %	Quarter 01/03 to 31/03	Average Weight %	Contribution %	Average Return ⁶ %
Growth/Defensive	30	-5	-17	Growth/Defensive	33	0	-1
Cyclicals	52	-16	-31	Cyclicals	55	-13	-24
Shorts & cash/FX	17 & 18	+7		Shorts & cash/FX	13 & 12	+3	
Total	65	14		Total	75	-10	
Asia Pacific (Net)	40	-7		Asia Pacific (Net)	43	-4	
Rest of world (Net)	25	-9		Rest of world (Net)	31	-9	

Valuation:

Earnings forecasts at this stage have lesser value than normal but we can look at the valuation of the portfolio against historic earnings to get a sense of the earnings power of the portfolio in a recovery.

Metric	Platinum Capital Ltd	MSCI AC World Net Index (A\$)
LTM (Last 12 Months) Earnings Yield	9.7% (Price to Earnings ratio of 10.3x)	7.0% (Price to Earnings ratio of 14.2x)
LTM (Last 12 Months) Dividend Yield	3.6%	3.3%
Price-to-Book-Ratio	1.2	1.9
Enterprise Value-to-Sales	1.1	1.3

The valuations in the table refer to the long portion of the portfolio, excluding negative net earnings, and using FactSet consensus earnings.

Please visit The Journal section of our website for regular updates: <https://www.platinum.com.au/Insights-Tools/The-Journal>.

The Quarterly Report will be available online next week.

¹ Source: FactSet Market Research, Market means MSCI AC World Net Index in A\$.

² Source: FactSet Market Research, Market means MSCI AC World Net Index in A\$.

³ Source: FactSet Market Research, MSCI ACWI Sector returns (A\$): “Growth and Defensives”: Healthcare +2, Staples/IT -1, Utilities, Comms -2.

⁴ Source: FactSet Market Research, MSCI ACWI Sector returns (A\$): “Cyclicals”: Discretionary -10, Real Estate -12, Industrials -15, Materials -16, Financials -22, Energy -36.

⁵ Average return is Contribution divided by Average Weight.

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