



**Platinum
Capital[®] Limited
Quarterly Investment
Manager's Report**

30 June 2020



Platinum[®]
CAPITAL LIMITED

ABN 51 063 975 431

Investment Update

by Andrew Clifford, Portfolio Manager

Performance

(compound p.a.* to 30 June 2020)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Capital Limited	0.8%	-3.5%	3.7%	4.4%	11.3%
MSCI AC World Index [^]	6.0%	4.1%	10.0%	8.8%	7.1%

PMC's returns are calculated using PMC's pre-tax net tangible asset (NTA) backing per share as released to the ASX monthly. PMC's returns are calculated after the deduction of fees and expenses, have been adjusted for taxes paid and any capital flows, and assume the reinvestment of dividends.

PMC's returns are not calculated using PMC's share price.

Portfolio inception date: 29 June 1994.

* Excluding quarterly returns.

[^] Index returns are those of the MSCI All Country World Net Index in AUD.

Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited for PMC's returns;

FactSet Research Systems for MSCI Index returns. See note 1, page 11.

Net Tangible Assets

The following net tangible asset backing per share (NTA) figures of Platinum Capital Limited (PMC) are, respectively, before and after provision for tax on both realised and unrealised income and capital gains.

	PRE-TAX NTA	POST-TAX NTA
31 March 2020	\$1.4127	\$1.4129
30 April 2020	\$1.4146	\$1.4262
31 May 2020	\$1.4011	\$1.4175
30 June 2020	\$1.4080	\$1.4231

Source: Platinum Investment Management Limited.

In Brief:

- Global equity markets staged an extraordinary rally over the quarter despite the global economy only just starting to recover from the depths of the largest economic setback in modern economic history.
- Investors at a time of significant uncertainty have increased their preference for businesses that are fast growing or defensive in nature, further widening the differential in valuations and stock price performance between 'growth' stocks and 'value' stocks.
- PMC's cautious positioning has resulted in significantly reduced investment returns over the last year and quarter, entirely attributable to losses on our short positions.
- We are in an unprecedented environment in financial markets and we continue to believe that maintaining short positions and cash holdings is appropriate to provide a level of downside protection.
- The long portfolio performed slightly better than the market over the quarter. Key contributors included ZTO Express, Microchip, Skyworks Solutions and LG Chem.
- We expect markets to remain highly volatile for some time. Major economies are expected to slowly recover to previous levels of output over a period of three years or more, providing the basis for a strong recovery in earnings for many of PMC's holdings.
- We see the potential to earn good returns at the individual stock level over the next three to five years and thus for the portfolio as a whole.

Global equity markets have staged an extraordinary rally, up 6% over the quarter, to be just 12% below their February peak,¹ despite the global economy only just starting to recover from the depths of the largest economic setback in modern economic history. The remarkable nature of this feat is further highlighted when considering that at the start of the year, equity markets had been in a 10-year bull market and the global economy was in reasonable shape, albeit recovering from a manufacturing recession.

As we discuss at length in our Macro Overview, while economic activity around the world is picking up from April's trough, the performance of the stock market can best be attributed to initiatives by governments and central banks around the world to backstop the collapse in economic activity as a result of the COVID-related lockdowns. In short, central banks, in conjunction with their governments, have created a significant increase in the amount of money outstanding in the economy. In the US alone, M2 money supply was up 25% on a year-on-year basis in June,² at a time when economic output was collapsing. Inevitably, this is inflationary, and it hasn't appeared in the price of goods and services, but in the price of bonds (reflecting further falls in interest rates) and certain sectors of the equity market.

Within equities, investors at a time of significant uncertainty have further increased their preference for ownership of businesses that are fast growing or defensive in nature, which is a reasonable response, except for the already very high valuations of these companies. The result has been a further widening of the differential in valuations and stock price performance between 'growth' stocks and 'value' stocks.³ This is illustrated in Fig. 1, which shows that growth stocks have returned 35% over the last two years vs. 0.2% for value stocks. Interestingly, of this differential, around 25% occurred in the first six months of 2020.

1 MSCI AC World Net Index. All index and market returns in this Platinum Capital Limited report are in AUD terms and sourced from FactSet Research Systems, unless otherwise specified.

2 As at 22 June 2020. Source: <https://fred.stlouisfed.org/series/M2#0>

3 Growth stocks are the top 20% of stocks with the highest price to book (P/B) and value stocks are the 20% of stocks with the lowest P/B. The P/B is a ratio of a company's current share price to its book value.

Fig. 1: MSCI Total Return Index - Value vs. Growth (AUD)



Source: MSCI, Platinum Investment Management Limited.

Disposition of Assets[^]

REGION	30 JUN 2020	31 MAR 2020
Asia	27%	28%
North America	25%	24%
Europe	21%	16%
Japan	14%	13%
Africa	1%	1%
South America	1%	0%
Oceania	0%	1%
Cash	11%	17%
Shorts	-9%	-25%

[^] With effect from 31 May 2020, our country classifications for securities were updated to reflect Bloomberg's "country of risk" designations. These changes have been backdated to prior periods. Numerical figures have been subject to rounding. See note 2, page 11. Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2020	31 MAR 2020
Information Technology	16%	12%
Industrials	15%	11%
Materials	12%	8%
Consumer Discretionary	11%	10%
Financials	11%	11%
Health Care	9%	8%
Communication Services	7%	7%
Real Estate	2%	2%
Energy	2%	2%
Consumer Staples	-2%	-3%
Other	-3%	-10%
TOTAL NET EXPOSURE	79%	58%

Numerical figures have been subject to rounding. See note 3, page 11. Source: Platinum Investment Management Limited.

In the US market, where the data sets on value versus growth returns stretches back to the 1930s, the long record shows value has significantly outperformed growth. The last 13 years represents the longest winning streak for growth by a large margin. When one also considers that growth stocks are trading at around their highest valuations on record, 10-year government bond yields are below 1% across the developed world, at a time when government debt is rising rapidly (funded by central banks in many cases), in the midst of a global pandemic and a global economic collapse, it is clear that with respect to financial markets, we are sailing into uncharted waters.

In this context, the cautious positioning of the portfolio has resulted in significantly reduced investment returns over the 12-month and three-month period to 30 June, entirely attributable to losses on our short positions.⁴ This again, raises the question of the merits of holding short positions at all. Certainly, in periods where markets are rising, it will always appear to be a futile exercise. However, as we stated earlier, we are in an unprecedented environment in financial markets and we continue to be of the view that maintaining short positions and cash holdings is appropriate to provide a level of downside protection.

⁴ References to returns and performance contributions (excluding individual stock returns) in this Platinum Capital Limited report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

Net Currency Exposures⁺

CURRENCY	30 JUN 2020	31 MAR 2020
Euro (EUR)	25%	19%
Japanese yen (JPY)	20%	23%
Chinese yuan (CNY)	18%	16%
Australian dollar (AUD)	11%	11%
Korean won (KRW)	6%	6%
Swiss franc (CHF)	5%	4%
Hong Kong dollar (HKD)	4%	4%
US dollar (USD)	3%	17%
Norwegian krone (NOK)	2%	2%
Canadian dollar (CAD)	2%	1%
Zambian kwacha (ZMK)	1%	1%
British pound (GBP)	1%	3%
Indian rupee (INR)	1%	2%
Danish krone (DKK)	1%	0%
Brazilian real (BRL)	1%	0%
Chinese yuan offshore (CNH)	0%	-9%

⁺ With effect from 31 May 2020, our currency risk exposure classifications for securities were updated to match the relevant local currencies of the relevant Bloomberg "country of risk" classifications. These changes have been backdated to prior periods.

Numerical figures have been subject to rounding. See note 4, page 11.

Source: Platinum Investment Management Limited.

The long portfolio in PMC has performed slightly better than the market over the last quarter. Among the best contributors to performance were **ZTO Express** (China, express parcel delivery, up 39%), **Microchip Technology** and **Skyworks Solutions** (semiconductors, up 55% and 43% respectively), and **LG Chem** (batteries for electric vehicles and petrochemicals, up 61%).

Changes to the Portfolio

The net invested position of the portfolio has increased from 58% to 79% over the quarter. However, this positioning does not fully reflect the cautiousness of our current views on markets. We have closed some short positions as markets moved enthusiastically higher, and opened other short positions later in the quarter. We are continuing to look for new opportunities to provide downside protection for PMC.

We continued to add to positions across a range of stocks that have suffered from the disruption to domestic and international travel. The travel industry is not only one of the most heavily impacted industries by the COVID-related lockdowns, but also has the longest recovery timeframe. Nevertheless, our view is that travel will return to favour in time and that the advent of an effective vaccine will facilitate a recovery. Either way, we expect it is likely to take at least three years to recover to prior levels and business travel will potentially take longer, given the improved effectiveness of

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	Korea	Info Technology	3.4%
ZTO Express Inc ADR	China	Industrials	3.0%
Amadeus IT Holdings	Spain	Info Technology	2.9%
Ping An Insurance	China	Financials	2.8%
Glencore plc	Switzerland	Materials	2.6%
General Electric Co	US	Industrials	2.5%
LG Chem Ltd	Korea	Materials	2.4%
Booking Holdings Inc	US	Cons Discretionary	2.4%
Bayerische Motoren Werke	Germany	Cons Discretionary	2.3%
Alphabet Inc	US	Comm Services	2.3%

As at 30 June 2020. See note 5, page 11.

Source: Platinum Investment Management Limited.

For further details of PMC's invested positions, including country and industry breakdowns and currency exposure, updated monthly, please visit www.platinumcapital.com.au.

video conferencing solutions, such as Zoom. It should be remembered though, that prior to the pandemic, the travel industry had showed steady growth for many years. Obviously, companies that rely on travel have seen their businesses severely disrupted and not surprisingly their share prices sharply collapse. This has provided an interesting opportunity to buy high-quality travel-related businesses.

As such, travel has become a key theme within the portfolio and was a major focus of our purchases during the quarter. Companies include **Booking Holdings**, the owner of the world's largest online travel agent, and aerospace businesses, such as **General Electric**. We also added to our position in **Medallia**, a provider of customer experience management software, **Ally Financial**, a leading online bank and auto lender in the US, and **FedEx**, the US parcel delivery company.

Funding for these acquisitions was provided by the trimming of a number of our strong performers, such as **ZTO Express** and **Microchip**, as well as exiting **Bharti Airtel** (Indian mobile phone network) and **Moderna** (a biotech company, which amongst other research and development projects was one of the first to trial a coronavirus vaccine).

With respect to our currency exposure, notable changes included the removal of our remaining Chinese yuan hedge and increasing our euro exposure (from 19% to 25%). This contributed to further reducing PMC's exposure to US dollars (from 17% to 3%). Our view is that the US dollar is likely to come under pressure at some point, as a result of the aggressive creation of new money by the US Federal Reserve, relative to its global counterparts.

Outlook

Our key concern relates to where we started this report. When taking into consideration the collapse in the global economy, very low interest rates, aggressive money creation by central banks, rapidly rising government debt, together with stock markets close to all-time highs and at near peak valuations, we are in uncharted waters for financial markets and there are likely to be shocks and surprises. There is the potential for a wide range of outcomes for stock markets and we most certainly expect markets to remain highly volatile for some time to come.

To reiterate, the rest of the stock market, outside a few popular sectors, is behaving much more like one would expect in a major economic collapse. That is, their stock prices have fallen significantly and although they have bounced from their March lows, they remain well below pre-COVID levels.

We expect that the major economies will slowly recover to previous levels of output over a period of three years or more, providing the basis for a strong recovery in earnings for many of PMC's holdings. When we assess our holdings, we see the potential to earn good returns at the individual stock level over the next three to five years and thus for the portfolio as a whole.

We strongly recommend reading the Macro Overview for a greater understanding of what a return to economic activity entails and to emphasise the correlation with PMC's portfolio positioning.

Macro Overview

by Andrew Clifford, CIO, Platinum Investment Management Limited

Stimulus Fuels Breakdown Between Markets and Economic Reality

The global economy has only just commenced its recovery from the depths of the largest economic setback in modern history, yet stock markets have bounced strongly from their mid-March lows to be just 5%-15% below their pre-COVID-19 levels. This extraordinary recovery in stock markets stands in stark contrast to other periods of economic weakness, such as the global financial crisis (GFC), where even five years later, markets had not recovered to their previous highs.

The market's response can most likely be attributed to the enormous monetary and fiscal measures taken by governments and central banks around the world. This leads to the obvious question, what happens next?

While we can identify attractive opportunities in individual stocks as a result of the market collapse, **for the moment, significant uncertainty around future economic activity, together with high stock market valuations, are good arguments for investors to retain a cautious stance.**

As lockdowns are lifted, economies will experience a strong 're-opening bounce', but a full recovery is likely to be at least three to five years away. As we noted in our March 2020 quarterly report,¹ the economy is "real" and labour is a key "factor of production". If people are restricted from going to work, then activity will fall. As such, we concluded, "economic activity will stop falling and start to recover when people can return to work".

It is not surprising that we are seeing signs of a strong initial recovery. The question is, how close does this initial recovery get us to where we were before? Again, as we noted last quarter, after the GFC, which was a mild downturn by comparison, the US took three years to return to prior peaks in activity, Japan took five years and Europe took seven years.

We expect the recovery to take some time to play out again for the following reasons:

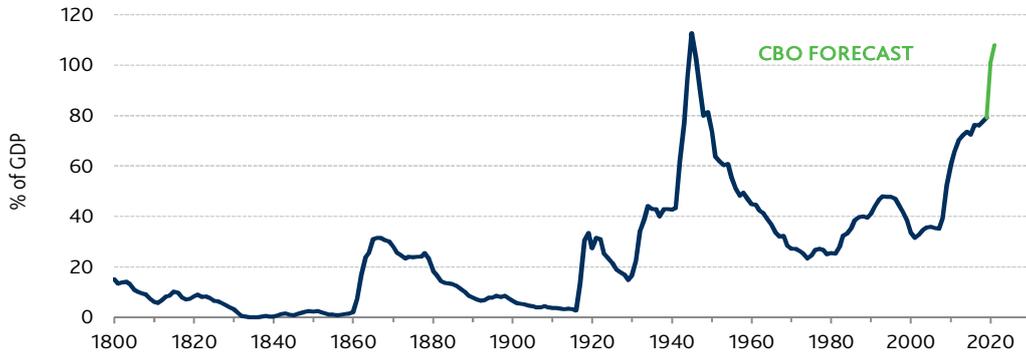
- Firstly, small- and medium-sized enterprises, by and large, tend to live on the edge of viability at the best of times. Many that have had to close their doors will struggle to return, especially if they have significant fixed costs, such as rent, that still need to be covered. To date, government programs in many countries (such as the JobKeeper Payment Scheme in Australia) have aimed to keep these businesses afloat and their employees paid. It is likely that, as the reopening proceeds, many of these businesses will fail, and while their employees are ready and able to return to work, they will not have jobs to return to.
- There are also some industries where the recovery will be slower, as government restrictions on the movement of people persist, or potentially changes in behaviour triggered by the lockdown, result in reduced demand for some services.
- Finally, the recent acceleration in COVID-19 cases in parts of the US and elsewhere, raises concerns about the impact of a second wave of infections. Whether this results in a return to lockdowns or not, it is likely to suppress consumer and business confidence. Further, the spread of the virus remains uncontained in much of the developing world, with significant expansion of cases in the important economies of India and Brazil.

Once the initial re-opening bounce has occurred, it is likely that unemployment levels will remain significantly elevated relative to the pre-COVID period. Market forces will see excess labour eventually absorbed by an ongoing recovery and new jobs will be created, but it will simply take time. While the development of a vaccine will accelerate the recovery, allowing certain industries to return more quickly, it is still likely that a return to prior peaks in economic activity will be measured in years.

It is almost certain that governments will continue to implement additional monetary and fiscal measures to support an economic recovery, but there are limits on what can be achieved.

¹ https://www.platinum.com.au/PlatinumSite/media/Reports/pclqtr_0320.pdf

Fig. 1: US Public Sector Debt/% GDP



Source: Minack Advisers and US Central Budget Office (CBO)

Ultimately, the potential of any economy is limited by the “real” resources of labour, capital (being the plant and equipment in our factories, data centres and offices) and land (not just shopping malls and office blocks but also agriculture and mining). The government cannot create new productive capacity, it can only redirect existing resources, but during periods when the resources of the economy are not fully employed, it may make sense for them to do so. In recent months, government benefits have allowed the newly unemployed to buy groceries and pay their bills, reducing the impact of their loss of income on the economy. However, government spending represents a transfer of wealth from another sector of the economy – as governments need to fund their spending.

Traditionally, governments have funded their expenditure by taxing the private sector (households and businesses) or by borrowing money from the private sector and then taxing that very same private sector in the future, to repay the loans. However, in recent years, either directly or indirectly, as a result of quantitative easing policies by central banks, governments have been effectively borrowing from the central bank. Without delving into a treatise on money and credit, in simple terms, the central bank is creating new money that ends up in the hands of governments, who use it to pay their bills.²

² This is a gross simplification of the underlying mechanics of money creation and quantitative easing, and the relationship with government spending over the last decade, but should suffice for the purpose of this discussion.

Normally, economists would argue that this is inflationary, and that it represents a tax on anyone who holds cash. It hasn't quite unfolded that way though, with the consumer price index (CPI) in most economic systems remaining subdued over the past decade. You might observe, however, the loss of purchasing power in your savings by noting the inflation in assets, such as residential property, or the lack of a decent return on your term deposits.

On face value, the financial alchemy of quantitative easing has been an apparent success. Over the last decade, central banks, hand-in-hand with their governments, have been able to resolve problems in their financial system, see their economies recover and maintain low interest rate regimes, without even the slightest appearance of this money creation being inflationary (unless you have an eye on asset prices). This same financial alchemy has been front and centre in the funding of government spending in response to the current crisis. So far so good, with respect to placing spending power into the hands of many of those in need and the maintenance of low interest rates, again with no obvious signs of inflation (other than in asset prices).

Undoubtedly, governments will continue to push on with central banks funding their spending if economies do not recover quickly. Presumably though, there are limits on this approach. When considering the rapid increase in government debt around the world in recent months, it certainly gives rise to a question of sustainability. Fig. 1 illustrates the extraordinary increase in US federal government debt as a percentage of GDP. The US Central Budget Office (CBO) is forecasting the level of indebtedness to rise to near World War 2 levels by 2021.

Assuming that limits do exist on this financial engineering, we need to understand at what point these limits will be reached and what will be the implications of exceeding them? These questions are not easily answered, but certainly, possibilities include a rise in goods and services inflation or conversely, the global economy enters a period of Japanese-style deflation, as governments crowd out the private sector.

The creation of new money that has arisen from recent monetary and fiscal policies is highly likely to have been a major contributor to the unprecedented rebound in stock prices from the March lows.

Well known economist, Milton Friedman observed that, "Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output". Today, in the US, M2 (one measure of the amount of money in the financial system) is rising by a record annual rate of 25%³ (see Fig. 2), while economic output has collapsed. Of course, we haven't been able to observe inflation in the traditional CPI that focuses on goods and services, as most are in excess supply in this downturn. Where we have been able to clearly observe inflation though, is in asset prices, particularly in bond markets (higher bond prices are the other side of falling interest rates) and parts of the stock market.

As this new money has washed around the system, it has found its way to the shares of companies that are perceived to be immune, or that have even benefited from the economic collapse. Many of these companies have stock prices near, even well above, their pre-COVID stock prices. In some cases, companies have benefited from the lockdowns,

³ M2 includes M1 (currency and coins held by the non-bank public, checkable deposits, and travellers' cheques) plus savings deposits (including money market deposit accounts), small time deposits under \$100,000, and shares in retail money market mutual funds. Year-on-year, as at 22 June 2020. Source: <https://fred.stlouisfed.org/series/M2#0>.

notably, e-commerce players that have seen an increase in the use of online shopping and other services (as discussed by our portfolio manager, James Halse in the article, *Will the Pandemic Change our Spending Habits Long Term?*⁴). Undoubtedly, the enthusiasm of investors for many of these companies is justified, in the sense that they have strong positions in their markets and look set to grow for many years to come. However, when this assessment of their prospects is then amplified by excessive money creation by central banks, **the outcome is that stock prices have moved well beyond what can be justified, given even the brightest assessment of their futures.**

If our analysis of the situation is correct, the risk for investors who own these popular names are two-fold. For any given company, a significant risk is they fail to deliver on their shareholders' high hopes, a very real possibility given the long timeframes over which they need to deliver high levels of growth. The other risk though, is that the money creation process that has driven these rising stock prices slows, or even possibly stops, or that the money migrates elsewhere. On the first point, as stated earlier, it seems likely that governments will want to continue spending to encourage a recovery and this should ensure the ongoing creation of new money, however, the current rate of growth may be hard to match. This assumes that potential limits on the levels of government debt discussed earlier do not occur at some point. As for the money migrating elsewhere, this is difficult to predict, but one possibility is that it flows into the real economy, as output steadily recovers over the coming years. None of this really helps with identifying the timing of any of these events, but to stay invested in these types of stocks is like being involved in the investment equivalent of a game of musical chairs.

⁴ <https://www.platinum.com.au/Insights-Tools/The-Journal/Will-the-Pandemic-Change-our-Spending-Habits-Long>

Fig. 2: US M2 Money Stock, Percent Change from a Year Ago



Source: Federal Reserve Bank of St. Louis.

The rest of the stock market, outside of these popular sectors, is behaving much more like one might expect in a major economic collapse. That is, their stock prices have fallen significantly and although they have bounced from their March lows, they remain well below pre-COVID levels.

Many companies in these out-of-favour sectors, when assessed against a likely three-year recovery period, represent attractive investments. It is amongst these companies that we see the real opportunities arising from the current crisis.

Typically, these companies either have greater sensitivity to economic growth, or in some cases have been directly impacted (e.g. travel-related businesses) by the lockdowns.

It is worth noting, that as the world recovered from the GFC, it was precisely these types of companies that made the best investments over the following two to three years. What is unknown of course, is precisely when we will see these investments perform. Most likely, this will occur with some swings and roundabouts, in line with the broad recovery in economic activity that we expect to come through over the next three years or so. Potentially, as government spending moves toward longer-term projects, such as infrastructure or decarbonisation of the economy, this could well accelerate the recovery for many of these economically sensitive sectors. These opportunities are further discussed in the Platinum Capital Limited report.

MSCI Regional Index Net Returns to 30.6.2020 (USD)

REGION	QUARTER	1 YEAR
All Country World	19.2%	2.1%
Developed Markets	19.4%	2.8%
Emerging Markets	18.1%	-3.4%
United States	21.6%	7.8%
Europe	15.4%	-7.2%
Germany	26.5%	-2.6%
France	16.1%	-10.3%
United Kingdom	7.8%	-17.7%
Italy	16.1%	-11.4%
Spain	10.3%	-21.0%
Russia	18.7%	-13.0%
Japan	11.6%	3.1%
Asia ex-Japan	16.7%	1.7%
China	15.3%	13.1%
Hong Kong	9.2%	-14.7%
Korea	19.5%	0.4%
India	20.6%	-17.0%
Australia	28.9%	-11.5%
Brazil	9.2%	-32.1%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

MSCI All Country World Sector Index Net Returns to 30.6.2020 (USD)

SECTOR	QUARTER	1 YEAR
Information Technology	30.0%	31.8%
Consumer Discretionary	28.6%	9.3%
Materials	25.6%	-4.6%
Communication Services	19.8%	8.9%
Energy	17.8%	-34.0%
Industrials	17.4%	-7.9%
Health Care	15.3%	14.6%
Financials	12.0%	-17.7%
Consumer Staples	9.1%	-0.2%
Utilities	6.6%	-2.3%

Source: FactSet Research Systems.
Total returns over time period, with net official dividends in USD.
Historical performance is not a reliable indicator of future performance.

The Journal

Visit www.platinum.com.au/Our-Products/PMC to find a repository of information about Platinum Capital Limited (PMC) including:

- Performance and NTA history
- Dividend history and the Dividend Reinvestment Plan
- ASX releases and financial statements
- Monthly updates on performance, portfolio positioning and top 10 holdings.



You can find a range of thought-provoking articles and videos on our website. For ad hoc commentary on the latest market trends and investment themes, look up **The Journal** under **Insights & Tools**.

If you find yourself short on time to read our in-depth reports and articles, have a listen to our **audio podcasts** or watch brief market updates in **video** format.

Recent videos and articles include:

- **Biotechs: Changing the Future of Health Care.**¹ The biotech sector has all the hallmarks of technology but with the health angle to boot. In this brief video, portfolio manager, Dr Bianca Ogden looks at a selection of biotech investments in her portfolio and how they are challenging and changing the future of health care.
- **Will the Pandemic Change our Spending Habits Long Term?**² In response to the global pandemic, we have altered our consumer behaviour in innumerable ways. Portfolio manager, James Halse looks at how any permanent alterations to how we engage with the world may influence business performance and ultimately stock prices.
- **Investing in the Global Health Care Ecosystem.**³ In this *Shares for Beginners* podcast, portfolio manager, Dr Bianca Ogden talks about the exciting developments taking place in global health care and how a scientific background can be a strong advantage when investing in this dynamic sector.
- **Automakers: Anatomy of a Crisis.**⁴ Automakers are likely to be among the businesses most acutely impacted by COVID-19 and over the next 12 months, most will likely rack up multi-billion-dollar losses. However, accounting losses only tell half the story. Our consumer team explains why.
- **In Technology we Trust. Or do we?**⁵ The technology sector is facing heavy scrutinisation and the threat of increased regulation. At the same time, tech giants are diversifying into new and exciting areas. Should we avoid or embrace their progress? At what cost to our personal data? Portfolio manager, Cameron Robertson provides his insights in this video.
- **Venturing to the Dark Side in Food Delivery.**⁶ What will the emergence of 'dark kitchens' mean for traditional bricks and mortar restaurants and what will it take to be a 'survivor' or a 'thriver'? In this video, investment analyst, Jimmy Su shares his insights on this fast-changing sector and why it's important to dig deeper into the detail.

1 <https://www.platinum.com.au/Insights-Tools/The-Journal/Biotechs-Changing-the-Future-of-Health-Care>

2 <https://www.platinum.com.au/Insights-Tools/The-Journal/Will-the-Pandemic-Change-our-Spending-Habits-Long>

3 <https://www.platinum.com.au/Insights-Tools/The-Journal/Investing-in-the-Global-Health-Care-Ecosystem>

4 <https://www.platinum.com.au/Insights-Tools/The-Journal/Automakers-Anatomy-of-a-crisis>

5 <https://www.platinum.com.au/Insights-Tools/The-Journal/In-Technology-We-Trust-Or-Do-We>

6 <https://www.platinum.com.au/Insights-Tools/The-Journal/Venturing-to-the-Dark-Side-in-Food-Delivery>

Notes

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935). "PMC" refers to Platinum Capital Limited (ABN 51 063 975 431) (ASX code: PMC)

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. PMC's returns are calculated by Platinum using PMC's pre-tax net tangible asset (NTA) backing per share (as released to the ASX monthly). PMC's returns are calculated after the deduction of fees and expenses, have been 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.**

The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. The gross MSCI index was used prior to 31/12/98. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, PMC's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in PMC's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.

2. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows PMC's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "Shorts" show PMC's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
3. The table shows PMC's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. 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".
4. The table shows PMC's net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of PMC's currency exposures and may omit some minor exposures.
5. The table shows PMC's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

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