Platinum Capital Limited ASX PMC

30 April 2016

Facts

Portfolio value		$348.11 mn	
Portfolio inception		29 June 1994	
Current share price		$1.71	
Current dividend yield		5.26% fully franked	
Pre-tax NAV	**$1.4737**	NAV retained earnings &	
Post-tax NAV	$1.4715	dividend profit reserve	17.71 cps
NAV franking	7.89 cps	Realised franking	7.67 cps

Fees

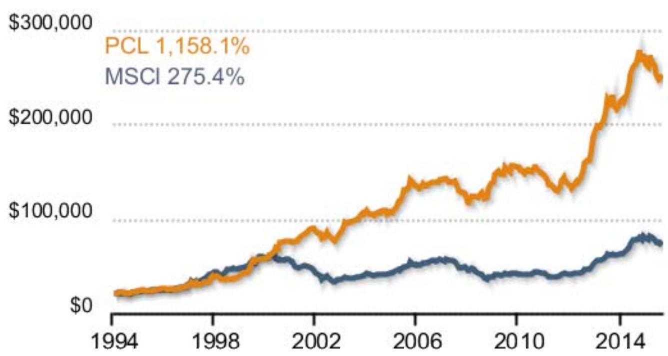
Management fee: 1.1% p.a. of the portfolio value

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[1]

	FUND %	MSCI %
1 month	1.27	2.29
3 months	(0.08)	0.33
6 months	(7.54)	(7.39)
Calendar year to date	(3.99)	(3.02)
1 year	(5.68)	(2.50)
2 years (compound pa)	7.57	10.94
3 years (compound pa)	14.05	16.41
5 years (compound pa)	11.10	12.52
7 years (compound pa)	9.54	10.40
10 years (compound pa)	6.11	3.83
Since inception (compound pa)	12.24	6.25

Performance graph[2]



Source: Factset and Platinum

Invested positions[3]

	LONG %	NET %	CURRENCY %
Australia	0.6	0.6	13.4
Brazil	0.0	0.0	0.1
Canada	0.8	0.8	0.8
China	3.6	3.6	(0.9)
China Ex PRC	14.4	14.4	
Hong Kong	1.3	1.3	12.0
France	5.1	5.1	
Germany	3.0	3.0	
India	5.2	5.2	5.5
Italy	5.5	5.5	
Japan	11.8	11.8	8.2
Korea	4.9	4.9	1.5
Malaysia	1.0	1.0	1.0
Nigeria	0.2	0.2	0.2
Norway	0.9	0.9	5.3
Russia	0.8	0.8	
Sweden	2.0	1.6	2.2
Switzerland	0.6	0.6	0.6
United Kingdom	6.0	6.0	4.2
United States	19.7	5.5	33.7
Vietnam	2.3	2.3	1.6
Zimbabwe	0.5	0.5	
	90.4	75.8	
China Renminbi Off Shore			(6.6)
Euro Currency			17.3
Cash & Accruals	9.6	24.2	
Total	100.0	100.0	100.0

Long - 95 stocks, 4 swaps, 1 bond   Short - 3 stocks, 2 indices

Top ten positions[4]

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.3
Tencent Holdings Ltd	China Ex PRC	Info Technology	2.9
Alphabet Inc	USA	Info Technology	2.5
Eni SpA	Italy	Energy	2.5
China Pacific A share P-Note	China	Financials	2.4
Intesa Sanpaolo SpA	Italy	Financials	2.3
Inpex Corporation Ltd	Japan	Energy	2.1
AstraZeneca PLC	UK	Health Care	2.1
Sanofi SA	France	Health Care	2.0
Ericsson LM-B	Sweden	Info Technology	2.0

Industry breakdown[3]

SECTOR	LONG %	NET %
Info Technology	22.0	22.0
Cons Discretionary	13.7	12.3
Financials	12.1	12.1
Health Care	9.8	9.8
Consumer Staples	7.2	7.2
Energy	7.1	7.1
Industrials	6.1	5.8
Materials	5.9	5.9
Telecom Services	3.4	3.4
Utilities	2.3	2.3
Other*	0.6	(12.1)

* Includes index short positions

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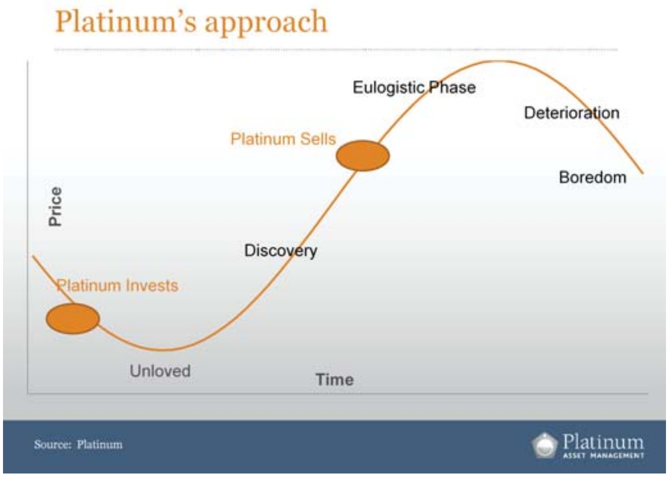
1. Performance results have been calculated using the pre-tax net asset value price (as released to the ASX) and represent the combined income and capital return of the investments for the specified period. Please note that the results are not calculated from the share price of PMC. You should also be aware that performance results are calculated using historic points of reference. PMC and its directors cannot guarantee that such results will be replicated in the future; therefore, this information should not be used to make future investment decisions.

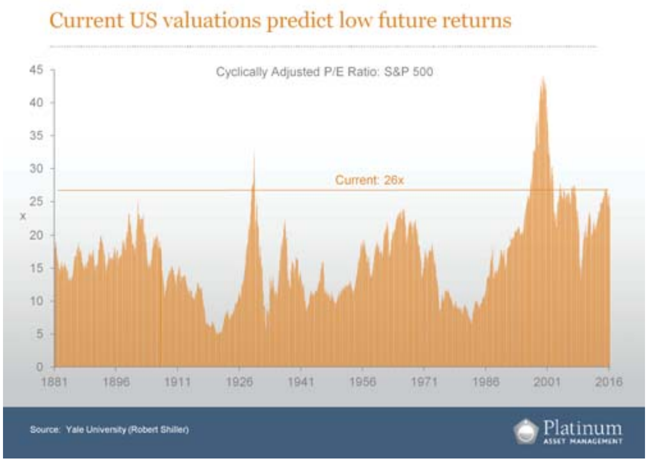
2. The investment returns depicted in this graph are cumulative on A$20,000 invested in PMC since inception relative to the MSCI All Country World Net Index in A$ ("Index") (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). Performance results have been calculated using the pre-tax net asset value as released to the ASX (monthly 'Net Asset Values') 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 individual 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. The "Long%" represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives. The "Net %" represents the exposure of physical holdings and both long and short derivatives. The "Currency %" represents the currency exposure for PMC's Portfolio, taking into account currency hedging.

4. Top Ten positions shows PMC's top long share exposure positions. Long derivative exposures are included, however, short derivative exposures are not.

Platinum Capital Limited





Market update and Commentary

Markets are less fearful than they were only a few weeks ago, but the system distortions remain. Central banks may be losing their potency and this has been reflected by moves in the currency markets, particularly in respect of the Yen and Euro, reversing previous trends. US company's earnings are uninspiring, suggesting profit growth is getting harder to come by, but on the flip side, Chinese data has stabilised, and any surprises are positive. Recent surging iron ore prices appear to have driven by speculation in Chinese futures markets around infrastructure and only offer temporary respite given the poor longer term fundamentals in the steel industry.

While losing money at the start of the year was disappointing, our recent positioning has been consistent with previous corrections; Europe-led in 2011 and Asia' episode of 1997, rather than believing in Armageddon. Beyond risk management, shorting can be used to target excessive valuation or broken business models, but these were not particularly evident in 2015, as per 2000-2003, or 2007-2008. Reducing exposure into the downdraft of July and August would best be described as prudent rather than alarmist, and since the August lows our general tendency has been to add exposure, generally to higher quality businesses that have been overlooked. We have nibbled at the Oil sector, which looks the most prospective commodity for now.

Kerr Neilson examined the portfolio's attractive characteristics in great detail in the recently published March 2016 quarterly report. Most interactions with investors over recent periods have focused on the vastly different position we are taking to our peers at this juncture. As the chart above (top-right) shows, the US market, which dominates most professional portfolios is expensive, and offers low return prospects if history is a guide. We still find a good spread of companies around the world (see bottom-right chart), including US technology leaders, European domestic banks and pharmaceuticals, Japanese self-improvement stories, Indian infrastructure, and a large exposure (18%) to a narrow group of high quality, consumer facing Chinese businesses, some of which we highlight above (bottom-left).

The returns, close to the World Index over varying periods do not suggest that the portfolio resembles the World Index in any way. Against us has been 'under-exposure' to generally strong markets, with the US market over-represented in the World Index (at over 50%!), leading the way. Solid stock-picking has generally offset this, which we believe is fading. In the most recent year, we made a 2% positive contribution to returns from a flat US market, offsetting our large exposure to attractive investments in Asia and Europe. Despite the ructions, China has only had a marginal negative impact on the Company while its broader market has been decimated.

Today the long stock portfolio is on a weighted median forward PE of 14X, with shorts and cash to smooth the ride. This compares favourably with the structurally challenged Australian market on 17X and the US where profit growth is becoming increasingly scarce, also on 17X. Our currency positioning has been more neutral since late 2015 except for hedging out our Chinese currency exposure, with a risk of devaluation worthy of avoiding. The recent strength in the Australian dollar is likely to be a temporary recovery from oversold levels and we expect another chance to put our cash back overseas before it finds its cycle low.