

Facts

Portfolio value	\$448.7 mn
Portfolio Inception	29 June 1994
Current share price	\$1.29
Current dividend yield*	4.67%
Pre-tax NTA (ex-div)	\$1.5183
Post-tax NTA (ex-div)	\$1.4843
Maximum franked dividend**	5.45 cps
Retained earnings & div profit resv.**	14.94 cps

Performance¹

	Company % (Pre-tax NTA)	MSCI %
1 month	(2.34)	(4.56)
3 months	(3.05)	(1.27)
6 months	2.58	5.68
Calendar year to date	(4.29)	(0.89)
1 year	4.42	14.63
2 years (compound pa)	0.85	11.58
3 years (compound pa)	9.02	13.43
5 years (compound pa)	6.12	9.72
7 years (compound pa)	11.60	14.90
10 years (compound pa)	8.80	11.71
Since inception (compound pa)	11.75	7.29

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

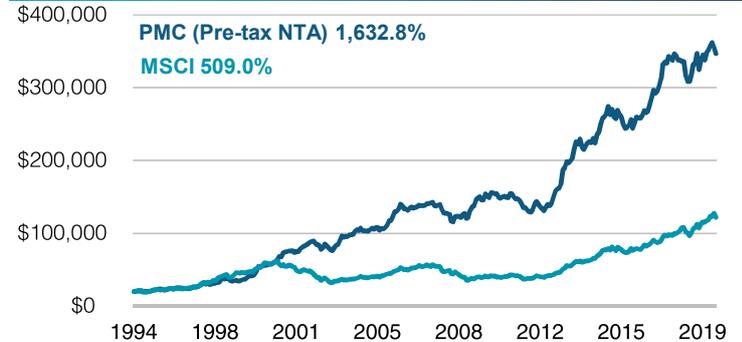
	Long %	Short %	Net %	Currency %
Asia-Pacific	42.8	(2.7)	40.1	29.5
Australia	0.5	(0.6)	(0.1)	0.6
China	4.9	(2.1)	2.9	2.9
China Ex PRC	12.1		12.1	
Hong Kong	1.8		1.8	10.8
India	3.5		3.5	3.9
Japan	14.6		14.6	21.6
Korea	5.0		5.0	5.6
Thailand	0.3		0.3	0.3
China Renminbi Off Shore				(16.1)
Europe	14.8		14.8	19.9
Austria	1.0		1.0	
Denmark	0.5		0.5	0.5
France	2.6		2.6	
Germany	1.9		1.9	
Ireland	1.1		1.1	
Italy	1.6		1.6	
Norway	0.1		0.1	2.1
Switzerland	4.1		4.1	1.7
United Kingdom	1.9		1.9	4.4
Euro				11.3
North America	23.1	(12.1)	11.0	49.7
Canada	3.0	(0.5)	2.4	1.8
United States	20.2	(11.6)	8.6	47.9
Other	1.0		1.0	0.9
Brazil	0.8		0.8	0.7
Zimbabwe	0.2		0.2	0.2
Sub-Total	81.7	(14.8)	66.8	100.0
Cash	18.3	14.8	33.2	
Total	100.0		100.0	100.0

Long - 76 stocks, 2 swaps Short - 22 swaps, 2 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	3.0
Samsung Electronics Co Ltd	Korea	Info Technology	3.0
ZTO Express Inc	China	Industrials	2.5
Glencore PLC	Switzerland	Materials	2.4
Alphabet Inc	United States	Comm Services	2.3
Facebook Inc	United States	Comm Services	2.1
Toyota Motor Corp	Japan	Cons Discretionary	2.1
China Overseas Land & Investment	China	Real Estate	2.1
Itochu Corporation	Japan	Industrials	2.1
Bayerische Motoren	Germany	Cons Discretionary	1.9
Total			23.5

Industry breakdown³

Sector	Long %	Short %	Net %
Financials	12.2		12.2
Industrials	12.0		12.0
Materials	10.9		10.9
Info Technology	13.1	(4.2)	8.9
Consumer Discretionary	11.8	(3.0)	8.8
Communication Services	7.6	(0.2)	7.3
Health Care	7.3	(0.2)	7.1
Energy	4.0		4.0
Real Estate	2.1		2.1
Consumer Staples	0.8	(3.1)	(2.3)
Other		(4.0)	(4.0)

*based on the FY20 interim dividend, annualised.

**after the FY20 interim dividend.

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 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).

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>

- The coronavirus outbreak drove heavy market sell-off in late February.
- Early indications that protective actions served the portfolio relatively well.
- Poised to respond as situation unfolds.
- Potential long-term benefits from a large exposure to China, but China remains under-appreciated by the broader market.

February ended with a dramatic sell-off. Fear gripped investors as the coronavirus went global. This followed the US market reaching all-time highs; it had appeared that China's containment strategy had limited the problem. Stocks responded to the likely hiatus in economic activity that comes from restrictions on movement and reduced labour capacity. We saw double digit falls in many major markets. We have taken swift protective action as both episodes of coronavirus outbreak came to light (China in late January, globally in late February). After the first outbreak, we removed much of the protection at close to no cost. Our net invested position at the end of February was 67%; close to our historic averages. We remain alert to responding quickly in either direction as news flow and market reactions warrant. This is an unfolding situation but the loss of productive capacity is the key issue for markets. Valuations are concerning in the hotter areas of markets and while perhaps deferred for now, we believe that the risks of rising interest rates as fiscal spending increases, becomes a greater possibility.

On 26 February we published this coronavirus update: [https://www.platinum.com.au/Insights-Tools/The-Journal/Update-re-coronavirus-\(1\)](https://www.platinum.com.au/Insights-Tools/The-Journal/Update-re-coronavirus-(1))

Analysis of prior market corrections:

To give context to the sell-off in late February, so far, we are able to compare with outcomes in prior market corrections, as opposed to bear markets though noting the current market correction may deepen. Our "downside capture" so far has been a little better than for these other events.

Event	Start Date	End Date	Months	Market ¹ Return	Portfolio ² Return	% Capture	Market Recovery	Portfolio Recovery
Russia/LTCM	July 1998	September 1998	2	-10.1	-9.2	91	3 months	9 months
Europe	February 2011	September 2011	7	-13.4	-12.6	94	15 months	16 months
China Slowdown	October 2015	March 2016	5	-9.4	-8.7	93	9 months	12 months
Trade/rates	September 2018	December 2018	3	-10.3	-8.1	79	4 months	4 months
Coronavirus	20 February 2020	28 February 2020	6 days	-8.6	-5.8	67	n/a	n/a

It is worth noting that in the bear markets¹ of 2000-2003 and 2007-2009 there were a series of sell-offs. The first meaningful sell-off in each case lasted around two months and was of similar magnitude to a correction. With the change in positioning in the portfolio, we are well-poised to act should things deteriorate further.

Contributions: As such, the first two months of 2020 have been challenging and it is worth noting where returns have been impacted:

The portfolio's negative returns can almost entirely be attributed to the investments in energy, materials and financials, which have been the three sectors hit hardest so far this year. Shorts made a positive contribution in February, most notably in the last week. The long positions making the biggest positive impact were Bharti Airtel, Alphabet, Tencent, Gilead and ZTO Express. The outcomes of the last two years were explored in detail in last month's commentary.

Valuations and outlook:

Looking forward we are comforted by the valuations of the stocks that we own, commensurate with a meaningful, albeit dynamic, level of protection in the portfolio. Some of the areas providing the most opportunity relate to climate change, China and commodities. Our biggest concern is what could happen to markets¹ should interest rates start to rise. Given the strong consensus, though the coronavirus has likely deferred this issue further.

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM (Next 12 Months) Earnings Yield	9.7% (Price to Earnings ratio of 10.3x)	6.8% (Price to Earnings ratio of 14.8x)
NTM (Next 12 Months) Dividend Yield	3.3%	3.2%
Price-to-Book-Ratio	1.3	2.1
Enterprise Value-to-Sales	1.0	1.4

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

Longer term: China benefit to the portfolio's returns:

Building a large exposure to China near the bottom of its bear market in 2014 has had a major positive impact to the portfolio's returns. Given the scepticism that many hold towards the world's largest physical economy and the second largest stock-market, in our view China remains somewhat under-appreciated by the broader market.

	2010-2014	2015-2019
PMC: Average Weight in China	11%	21%
PMC: Chinese stock returns	18% pa	18% pa
MSCI AC World Index Net A\$: Total Return	11% pa	12% pa

¹ Market/s means MSCI AC World Net Index in A\$, source: FactSet Research Systems

² Refer to footnote 1 on page 1.