

Facts

Portfolio value	\$407.5 mn
Portfolio Inception	29 June 1994
Current share price	\$1.235
Current dividend yield	4.86%
Pre-tax NTA	\$1.4011
Post-tax NTA	\$1.4175
Maximum franked dividend	3.37 cps
NTA retained earnings & div profit resv.	8.35 cps

Performance¹

	Company % (Pre-tax NTA)	MSCI %
1 month	(0.96)	2.92
3 months	(6.38)	(2.94)
6 months	(9.23)	(4.17)
Calendar year to date	(10.39)	(3.80)
1 year	(0.08)	10.04
2 years (compound pa)	(2.82)	8.91
3 years (compound pa)	3.02	9.29
5 years (compound pa)	3.42	8.33
7 years (compound pa)	8.20	12.64
10 years (compound pa)	7.72	11.04
Since inception (compound pa)	11.35	7.09

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

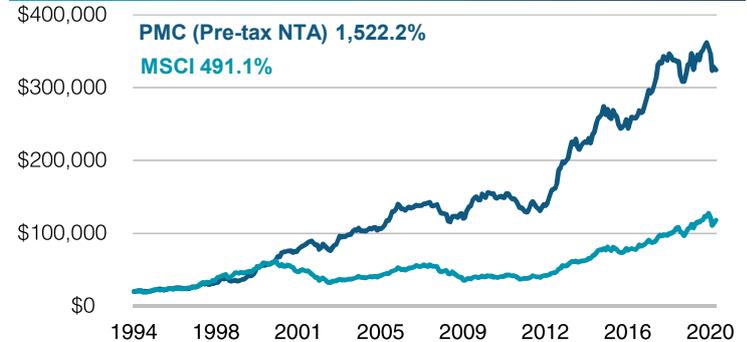
	Long %	Short %	Net %	Currency %
Asia-Pacific	42.9		42.9	61.0
Australia	0.9		0.9	10.9
China	18.5		18.5	18.5
Hong Kong	1.9		1.9	3.8
India	1.2		1.2	1.3
Japan	14.5		14.5	20.7
Korea	5.5		5.5	5.5
Thailand	0.3		0.3	0.3
Europe	20.3		20.3	31.9
Austria	0.9		0.9	
Belgium	0.1		0.1	
Denmark	0.6		0.6	0.6
France	3.0		3.0	
Germany	4.4		4.4	
Ireland	1.4		1.4	
Italy	1.3		1.3	
Spain	3.2		3.2	
Switzerland	4.3		4.3	4.3
United Kingdom	0.8		0.8	3.0
Euro				21.9
Norwegian Krone				2.1
North America	26.6	(10.1)	16.5	5.5
Canada	1.3		1.3	1.8
United States	25.3	(10.1)	15.2	3.6
Other	1.6		1.6	1.6
Brazil	0.6		0.6	0.6
Zambia	0.8		0.8	0.8
Zimbabwe	0.2		0.2	0.2
Sub-Total	91.4	(10.1)	81.3	100.0
Cash	8.6	10.1	18.7	
Total	100.0		100.0	100.0

Long - 77 stocks, 2 swaps Short - 8 swaps, 1 index

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	%
ZTO Express Inc	China	Industrials	3.7
Amadeus IT Holdings	Spain	Info Technology	3.2
Samsung Electronics Co Ltd	Korea	Info Technology	3.2
Ping An Insurance	China	Financials	2.9
Alphabet Inc	United States	Comm Services	2.6
Facebook Inc	United States	Comm Services	2.6
Booking Holdings Inc	United States	Cons Discretionary	2.5
General Electric Co	United States	Industrials	2.5
Takeda Pharma Co	Japan	Health Care	2.4
Glencore PLC	Switzerland	Materials	2.4
	Total		28.1

Industry breakdown³

Sector	Long %	Short %	Net %
Info Technology	18.2	(1.0)	17.2
Industrials	15.8	(0.3)	15.5
Consumer Discretionary	14.2	(1.5)	12.8
Materials	10.9		10.9
Financials	10.3		10.3
Health Care	10.0	(0.5)	9.5
Communication Services	7.5		7.5
Real Estate	2.0		2.0
Energy	1.8		1.8
Consumer Staples	0.6	(2.8)	(2.2)
Other		(4.0)	(4.0)

NB: With effect from 31 May 2020, our country classifications for securities were updated to reflect Bloomberg's "country of risk" designations, and our currency classifications for securities were updated to reflect the relevant local currencies of our country classifications.

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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".

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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- Markets are behaving in a very unusual way – the divergence between winners and losers that we have been talking about for the last couple of years has moved to even more extreme levels. However we measure or define this, it looks unprecedented. Unless you believe that human behaviour has fundamentally changed, it seems inevitable to us that this will unwind and the further it goes on, the more spectacular that could be.
- Despite the current economic situation, there is a raging bull market in a narrow range of opportunities, centred around the three most valuable companies in the world (Microsoft, Apple and Amazon) which dominate passive and most active portfolios. This masks the bear market in almost everything else.
- As the world starts to return to work, we have not removed the risk of a second wave, but have bought time and developed a better understanding of the diseases and better preventative behaviours. Government and central bank stimuli have been a big support for markets and the permanent damage that lockdowns has done to economies is not yet clear. Progress made during the month on a vaccine, boosted Moderna which we have held since its 2018 IPO.
- Our key challenge is determining appropriate levels of market exposure in light of economies that will take a long time to return to 2019 levels. There is a high degree of pessimism beyond the market darlings and money printing is supportive to an otherwise tantalising list of short candidates.
- We would note that if one sees an unwinding of market extremes, being long “cheap” and simultaneously short “expensive” could be seen as two expressions of the same view. We must manage the total exposure to this, and the reduction of our shorts might better be viewed in this context.
- In our December 2019 quarterly report, we noted that monetary policy has reached its limits and the time for fiscal policy to take centre stage is coming. What coronavirus has done is defer this whilst weakening government balance sheets, making the financing of spending **more** rather than **less** likely to lead to **higher** borrowing costs.
- We have talked at length about the opportunities provided by the likes of electric vehicles, semiconductors and the development of China.
- With every market dislocation one hopes to add a new leg to the long side of the portfolio. Such an area is travel. After grinding to a halt, one of the world’s largest growth industries is presenting opportunities, particularly among booking platforms and jet-engines, two industry segments that give us exposure to a travel recovery, with sound company economics as opposed to taking on the specific risk inherent in individual airlines.
- As tensions between the US and China appear to build, the mishandling of coronavirus so close to an election and the President’s personality, mean we will hear more about China as a problem in the coming months. The trade war in 2018 did not impact on the key businesses in which we invest in China and, in any case, much of the rhetoric might just increase Twitter’s daily active user base.

Contribution: We show the impact of the last three months on performance, with strong performance in health care (Moderna, Gilead Sciences, Takeda), semiconductors (Intel, Skyworks and Microchip), Facebook and Chinese logistics leader ZTO Express, not enough to offset tough outcomes in the more cyclical part of the portfolio in the sell-off (e.g. GE, TechnipFMC and Glencore) and the performance of some of the shorts in the rapid rebound from March lows.

3 months To 31/05/20	Average Weight %	Contribution %	Average Return ¹ %	Sell-Off 20 Feb – 23 Mar	Average Weight %	Contribution %	Average Return %
Growth/Defensive	33	+3	+9	Growth/Defensive	33	-6	-17
Cyclicals	52	-8	-15	Cyclicals	50	-16	-33
Shorts & Cash/FX	20 & 14	-2		Shorts & Cash/FX	17 & 17	+7	
Total	66	-6		Total	66	-15	
Asia inc Japan (Net)	38	-4		Asia inc Japan (Net)	39	-7	
Rest of World (Net)	28	-5		Rest of World (Net)	27	-10	

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 Limited	MSCI AC World Net Index (A\$)
LTM (Last 12 Months) Earnings Yield	6.8% (Price to Earnings ratio of 14.6x)	5.7% (Price to Earnings ratio of 17.4x)
LTM (Last 12 Months) Dividend Yield	3.1%	3.0%
Price-to-Book-Ratio	1.4	2.0
Enterprise Value-to-Sales	1.3	1.5

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

¹ Average return is Contribution divided by Average Weight.