Platinum Capital® Limited

Quarterly Investment Manager's Report

30 June 2019

Platinum®
CAPITAL LIMITED

ABN 51 063 975 431

Investment Update

by Andrew Clifford, Portfolio Manager

Performance

(compound pa, to 30 June 2019)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Capital Limited	1.5%	0.01%	11.5%	8.6%	12.0%
MSCI AC World Index^	4.9%	11.3%	13.9%	12.6%	7.2%

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.
^ 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 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 2019	$1.5570	$1.5095
30 April 2019	$1.6194	$1.5560
31 May 2019	$1.5129	$1.4838
30 June 2019	$1.5686	$1.5259

Source: Platinum Investment Management Limited.

PMC returned 1.5% for the quarter and 0.01% for the last 12 months. These returns lagged the performance of global equity markets, which returned 4.9% for the quarter and 11.3% for the 12 months.

The collapse of US-China trade negotiations, the US government's decision to restrict sales of key US technologies to Huawei (China's telecom equipment provider), and growing expectations of interest rate cuts, were the key drivers of equity markets since early May. Broadly, these concerns saw investors once again seek safe havens in perceived low-risk equities, such as real estate, utilities, infrastructure, and consumer staples. Growth stocks, considered immune to the trade issues, were also sought after. This trend was further reinforced by expectations that lower interest rates would support the already highly generous valuations of these stocks.

Generally, more cyclical companies, such as commodity producers, were sold off. Companies facing specific exposure to trade issues, such as auto companies, or to the Huawei ban, such as semiconductor companies, came under selling pressure.

As we outline in this quarter's Macro Overview, these moves continue the long-term trend of growth stocks outperforming value stocks, which has resulted in the disparity of valuations between these groups of stocks widening to extreme levels. The last time the relative performance of growth over value was at current levels, was in 1999-2000 at the height of the tech bubble (see Fig. 2, in the Macro Overview).

While we would not categorise ourselves as a 'classic value' investor, our approach of avoiding the crowd and seeking out those assets that are out-of-favour with investors, has resulted in PMC migrating to investment opportunities in China, and cyclical sectors such as semiconductors, autos, energy, and metals, where we assess there is significant value.

While portions of the portfolio have lagged the market over the last year, it is worth noting that our investment approach has performed well in a number of key investments. Positions in **Ping An Insurance** (Chinese insurance and banking), **ICICI Bank** and **Axis Bank** (Indian banks), **Weichai Power** (Chinese diesel engine manufacturer), and **Anta Sports Products** (Chinese sports apparel producer), have made strong contributions.

Short positions[1] in **Nvidia** (US graphic microchip producer) and **Tesla** also made significant contributions to performance. Each of these investments was made following our traditional investment approach.

Offsetting these good returns were declines in our energy-related investments, notably **Transocean** (offshore contract oil drilling services), **Seven Generations** (Canadian onshore oil and gas producer), and **TechnipFMC** (oil services), as well as other commodity producers such as **Glencore** (copper and cobalt, zinc, coal, and trading), **First Quantum** (copper) and **MMG** (copper).

Changes to the Portfolio

The net exposure of PMC was reduced from 77% to 64% over the quarter. The reduction in the net exposure was a result of a significant increase in short positions from -10% to -23%, predominantly in index futures. This was in response to indications that the US and China were unlikely to conclude a trade agreement anytime soon and the decision to ban sales of US technology to Huawei. The downside risk to markets of a significant escalation in tariffs is, in our view, significant and the additional index short positions were put in place to reduce market exposure.

Subsequent to quarter end, the portfolio's net invested position was increased to around 73%, with a number of short positions taken off on improved market sentiment following the trade truce between the US and China.

1 Short-selling or "shorting" is a transaction aimed at generating a profit from a fall in the price of a particular security, index, commodity or other asset. To enter into a short sale, an investor sells securities that are borrowed from another. To close the position, the investor needs to buy back the same number of the same securities and return them to the lender. If the price of the securities has fallen at the time of the repurchase, the investor has made a profit. Conversely, if the price of the securities has risen at the time of the repurchase, the investor has incurred a loss.

Disposition of Assets

REGION	30 JUN 2019	31 MAR 2019
Asia	36%	38%
North America	22%	21%
Europe	17%	19%
Japan	11%	9%
Australia	1%	1%
Africa	1%	1%
South America	1%	0%
Cash	13%	12%
Shorts	-23%	-10%

Numbers have been subject to rounding adjustments.
See note 2, page 11. Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 JUN 2019	31 MAR 2019
Financials	17%	16%
Communication Services	12%	13%
Materials	12%	13%
Industrials	11%	11%
Information Technology	7%	7%
Consumer Discretionary	7%	6%
Energy	5%	6%
Real Estate	3%	3%
Health Care	2%	3%
Consumer Staples	2%	2%
Other*	-12%	-2%
TOTAL NET EXPOSURE	64%	77%

* Includes index short positions.
Numbers have been subject to rounding adjustments.
See note 3, page 11. Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Ping An Insurance	China	Financials	4.6%
Samsung Electronics	Korea	Info Technology	3.5%
Facebook Inc	US	Comm Services	3.2%
Glencore plc	Switzerland	Materials	2.6%
China Overseas Land	China	Real Estate	2.5%
TechnipFMC Ltd	UK	Energy	2.5%
Alphabet Inc	US	Comm Services	2.3%
Bharti Airtel Ltd	India	Comm Services	2.3%
Jiangsu Yanghe Brewery	China	Consumer Staples	2.1%
PICC Prop & Casualty	China	Financials	2.1%

As at 30 June 2019. 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.

Over the course of the quarter, we added to a wide range of existing holdings that offered good value after being sold off on concerns around trade and the Huawei bans. These included semiconductor and related companies, **Micron Technology**, **Skyworks Solutions**, **Microchip Technology** and **Sumco**.

Similarly, we added to auto and related businesses such as **BMW** and **Valeo**. New positions were added in **Ryanair** (European budget airline), **Owens Corning** (US building materials), and **BRF** (Brazilian producer of pork and poultry). These new investments and additions to existing positions accounted for over 4% of PMC.

These purchases were funded by exiting positions in **Siemens** (German industrial conglomerate), **Reliance Industries** (Indian Petrochemical and Telecoms) and **Equifax** (US information solutions), and trimming our holdings across a range of positions such as **Schibsted** (online classifieds) and **Alphabet** (owner of Google).

Net Currency Exposures

CURRENCY	30 JUN 2019	31 MAR 2019
US dollar (USD)	38%	36%
Japanese yen (JPY)	16%	17%
Hong Kong dollar (HKD)	14%	14%
Euro (EUR)	13%	13%
Chinese yuan (CNY)	10%	10%
Indian rupee (INR)	6%	6%
Korean won (KRW)	5%	5%
British pound (GBP)	4%	5%
Norwegian krone (NOK)	2%	3%
Swiss franc (CHF)	2%	2%
Canadian dollar (CAD)	2%	2%
Australian dollar (AUD)	1%	1%
Zimbabwe dollar (ZWL)	1%	1%
Danish Krone (DKK)	<1%	<1%
Thai baht (THB)	<1%	<1%
Brazilian real (BRL)	<1%	0%
Chinese yuan offshore (CNH)	-15%	-15%

Numbers have been subject to rounding adjustments.
See note 4, page 11. Source: Platinum Investment Management Limited.

Commentary

Lixil update

During the quarter, Japanese bathroom and housing products company, **Lixil Group** rebounded (+15%) on the news of a successful conclusion to a fight by shareholders to have its deposed CEO Kinya Seto reappointed.[2] His removal from office did not reflect good corporate governance practice, and occurred part way through a turnaround plan (which we supported) after disagreements over business strategy with the (now former) Chairman Ushioda. Various foreign shareholders took exception to this, and sought to have Ushioda removed, and later, Seto and a slate of directors proposed by him and other shareholders appointed to the Board.

Platinum does not usually take an active approach to shaping the governance and management of our investee companies, but we felt it was important for our investors' returns that the Chairman and his influence were removed from the Board and the former CEO reappointed. We thus went public with our views, releasing a statement and conducting press interviews in Japanese and English, with the aim of influencing the votes of both foreign and Japanese institutional investors, as well as Japanese retail investors.[3]

Strong stock performance post the successful election of Seto's slate of directors, and his confirmation as Group CEO has somewhat validated our actions. The success of the shareholder annual general meeting (AGM) proposal in this matter is a major win and a big step forward for shareholder rights in Japan, and reflects several years of evolution following the Abe government's reforms. Japanese boards are now more likely to feel pressured to improve governance, profitability, and capital allocation, which should enhance investment returns in the long term.

2 Refer to the March 2019 Quarterly Investment Manager's Report for further background information on Lixil and the CEO Kinya Seto https://www.platinum.com.au/PlatinumSite/media/Reports/pclqtr_0319.pdf

3 See: https://www.platinum.com.au/Insights-Tools/Investment-Fundamentals/Investing-What-Matters/Article-Item/Platinum-Asset-Management-Supports-Action-to-Remov and https://www.platinum.com.au/PlatinumSite/media/ASX-Releases/Press-Release_11_June_2019_LIXIL.pdf

Outlook

At quarter end, the valuations of the long positions in PMC's portfolio compare favourably with market averages and our quantitative indicators lead us to believe that our portfolio is both more profitable and faster growing than our global universe of stocks. Further, our qualitative assessment is that the valuations of our individual holdings are not just attractive relative to the averages, but attractive on an absolute basis. It is these factors, which we judge our assessment of likely future returns, and result in us being optimistic about PMC's returns over the medium to long term.

However, significant risks remain in the macroeconomic and market environment in the short term; in particular, US trade policy and the impact on global growth. Valuations in the crowded sectors of equity markets, the safe havens and the high growth stocks, are also cause for caution on broader markets.

Macro Overview

by Andrew Clifford, CIO, Platinum Investment Management Limited

Trade war dominates, distracts and detracts

The escalation of protectionist measures by the US government can only detract from economic prospects for the US and the rest of the world. The real question, however, is how significant will the collateral damage be and how readily can it be overcome by other policy measures? In spite of an agreement reached between US President Donald Trump and Chinese President Xi Jinping at the June G20 meeting, the uncertainty created by the trade dispute is likely to continue to weigh on investment decisions the world over.

The events of the last 18 months have created a chaotic environment for any business directly or indirectly involved in world trade. The US government first imposed China-specific tariffs of 25% on US$50 billion of imports in July and August last year. In September, the US imposed 10% tariffs on a further US$200 billion of imports from China, with a threat to escalate these to 25% in January 2019. Then in December, at the G20 meeting in Buenos Aires, the two governments reached an agreement to defer the January tariff increase as they worked towards a resolution.

When trade negotiations broke down in early May this year, the US moved swiftly to increase tariffs to 25% on the US$200 billion of imports from China, and threatened to apply 25% tariffs to an additional US$300 billion of imports, which was essentially the balance of the US's imports from China. Then at the end of June, at another G20 meeting, there was yet another agreement to negotiate and defer the next round of tariffs.

The US's trade war with China is only part of the story. The Trump government first imposed tariffs on imports of all solar panels and washing machines in January 2018. Tariffs on steel and aluminium imports (with only a handful of countries exempted) followed shortly after in March 2018. While beneficial for US producers of these goods, the tariffs were detrimental to US manufacturers, as steel and aluminium are essential inputs to their business, and they often compete globally against companies without such imposts. There are also the ongoing threats of tariffs on European auto producers. Closer to the US borders, Canada and Mexico needed to renegotiate the North American Free Trade Agreement (New NAFTA) and on signing, the US threatened to renege on the deal with Mexico over issues relating to immigration. Most recently, the US government placed restrictions on the sale of US technology to Huawei, the world's largest producer of telecom and networking equipment. While theoretically based on national security issues, the decision now appears to be on hold post the June G20 meeting.

Implications for business investment

On face value, the one clear message to US businesses is they need to reduce their dependency on China as a source of supply, and indeed many companies are considering this. In theory, it sounds like a simple decision, but in reality, there are numerous challenges. These include, readily finding the quantity of labour with the requisite flexibility, as well as securing the full supply chain of services, such as design, packaging, logistics and financing, that are very well developed in China[1]. Submissions by US businesses to the recent public hearings on the proposed 25% tariffs on the remaining US$300 billion of China imports, highlight these challenges, with many simply seeing no alternatives to China for acquiring critical inputs to their business. The most likely pathway would be to pass on the tariffs to customers via higher prices with the potential to cause substantial damage to their business and a significant loss of revenues.

Nevertheless, some businesses will pursue alternative supply arrangements for their manufactured goods, which is a risk if a trade agreement is reached with China down the track, as they may be committed to less-than-ideal arrangements. This risk is clearly highlighted by threats to place tariffs on imports from Mexico if they don't meet the US's immigrations demands. Until this point, Mexico probably ranked as the next best place to source manufactured goods after China. In such an environment of so much uncertainty, it seems highly likely that companies of all sizes, both in the US and elsewhere, will defer investment where possible until the trade issues have been resolved.

1 See our reports, Observations from a Recent Trip to China, 1 May 2017, https://www.platinum.com.au/Insights-Tools/The-Journal/observations-from-a-recent-trip-to-china and Macro Overview, September 2018, https://www.platinum.com.au/PlatinumSite/media/Reports/pclqtr_0918.pdf

The decision to place Huawei on the US "Entity List" in May, which effectively restricts the sale of American-made parts and components to Huawei, creates another more specific area of uncertainty. It is not clear to what extent the bans, will prevent Huawei from manufacturing its product lines, but its inability to access certain key components from US suppliers is likely to dramatically curtail its business. While telecommunication network operators could simply replace the Huawei product with a Samsung, Ericsson, Cisco, or Nokia product, in most cases the networks will need to be re-engineered so they are compatible, which may mean subsequent delays to other investments already in the pipeline.

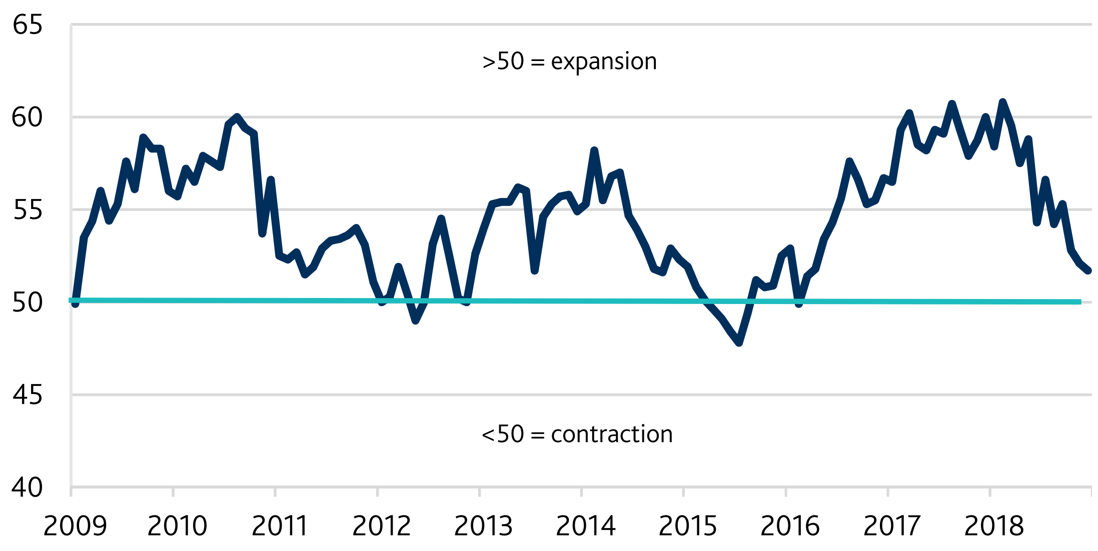
In addition to the recent ban, legislation passed in the US in 2018 restricted the purchase of Huawei equipment by any entity accessing government funding, with a two-year deadline to remove Huawei equipment from expenditures. In early June this year, the Wall Street Journal reported that the White House's Acting US Budget Chief was looking to delay the deadline by a further two years due to difficulties in sourcing alternatives to Huawei equipment.[2] Even where simple fixes are available, the sheer size of Huawei will limit competitors' ability to fill the gap quickly. As a result of the Huawei bans, investment in communication networks is expected to be on hold as operators look for alternatives. The Huawei bans are however, likely to have a much bigger impact on the broader economy. For every dollar spent on Huawei equipment, there are multiples of dollars spent on the equipment of other vendors and associated services.

The agreement reached between the US and China at the most recent G20 meeting to delay the next round of tariff increases and place a hold on the Huawei ban while further negotiations take place, is undeniably good news. However, it hardly provides the certainty businesses need to make longer-term investment decisions. Ultimately, negative consequences for investment spending and economic growth in the US is to be expected. The US significantly increased tariffs as recently as May this year, which effectively acts as a tax on the US economy, and as such, will weigh on growth. These disruptions come at a time when the US manufacturing sector is already showing signs of weakness as evidenced by a leading survey of manufacturers, the Purchasing Managers' Index (PMI)[3], which fell to a three-year low of 52 in June 2019, well down from 60 in August last year (see Fig. 1).

2 Source: "Acting US Budget Chief Seeks Reprieve on Huawei Ban", The Wall Street Journal, 10 June 2019

3 The PMI is a good indicator of the economic health of the manufacturing sector, a reading above 50 implies an expansion in activity relative to the previous month and below 50 implies a contraction.

Fig. 1: ISM Manufacturing Purchasing Managers' Index - United States



Source: FactSet

Monetary and fiscal measures could play a role

There are other variables at play though that could potentially offset the impact of the trade deliberations. Most notably, the US Federal Reserve and the European Central Bank have both backed away from tightening monetary policy this year. Markets are already pricing in a 70% probability of two to three interest rate cuts in the US this year. Governments are also likely to be more inclined to use fiscal policy via implementing tax cuts and/or increased spending, to encourage growth in the months ahead. These measures could potentially be enough to counter the negative consequences of the US trade policies.

In China, the economy is stabilising after a period of very tight monetary conditions in the first half of 2018, which were a result of the country's financial reforms. As discussed in past quarterly reports[4], interest rates have fallen sharply in China over the past 18 months, signifying easier monetary conditions, and the government's fiscal stimulus is estimated at 3% of its output (i.e. GDP). While the economy has not responded with the same vigour as it has in past stimulus cycles, this reflects the impact of the trade situation, which has dampened both business and consumer confidence. If required, the Chinese government has the financial resources to add further stimulus to the financial system. As we learned in 2018, at the margin, China is at least as important, if not more so, than the US, in determining economic prospects for the rest of the world, reflecting its size and current growth rate. An optimistic tilt at the current situation is that the Chinese economy has performed well given the set of conditions that it has faced over the last 18 months. Even mildly stronger performance from the world's second largest economy is likely to improve economic conditions across much of the world.

4 https://www.platinum.com.au/PlatinumSite/media/Reports/pclqtr_0319.pdf
https://www.platinum.com.au/PlatinumSite/media/Reports/pclqtr_1218.pdf

MSCI Regional Index Net Returns to 30.6.2019 (USD)

REGION	QUARTER	1 YEAR
All Country World	**3.6%**	**5.7%**
Developed Markets	**4.0%**	**6.3%**
Emerging Markets	**0.6%**	**1.2%**
United States	**4.1%**	**9.6%**
Europe	**4.7%**	**2.4%**
Germany	7.1%	-3.8%
France	6.5%	3.0%
United Kingdom	0.9%	-2.0%
Italy	2.9%	-0.7%
Spain	2.6%	-2.1%
Russia	16.9%	27.1%
Japan	**1.0%**	**-4.2%**
Asia ex-Japan	**-0.7%**	**-0.5%**
China	-4.0%	-6.7%
Hong Kong	1.0%	10.4%
Korea	-0.9%	-9.1%
India	0.5%	7.9%
Australia	7.3%	6.5%
Brazil	7.2%	39.4%

Source: FactSet.
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 30.6.2019 (USD)

SECTOR	QUARTER	1 YEAR
Financials	5.8%	3.4%
Information Technology	5.2%	9.9%
Industrials	4.5%	6.3%
Consumer Discretionary	4.4%	4.2%
Materials	3.7%	0.0%
Communication Services	3.3%	13.0%
Consumer Staples	2.8%	9.2%
Utilities	2.6%	13.8%
Health Care	1.3%	9.6%
Energy	-1.1%	-7.7%

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

Market Outlook

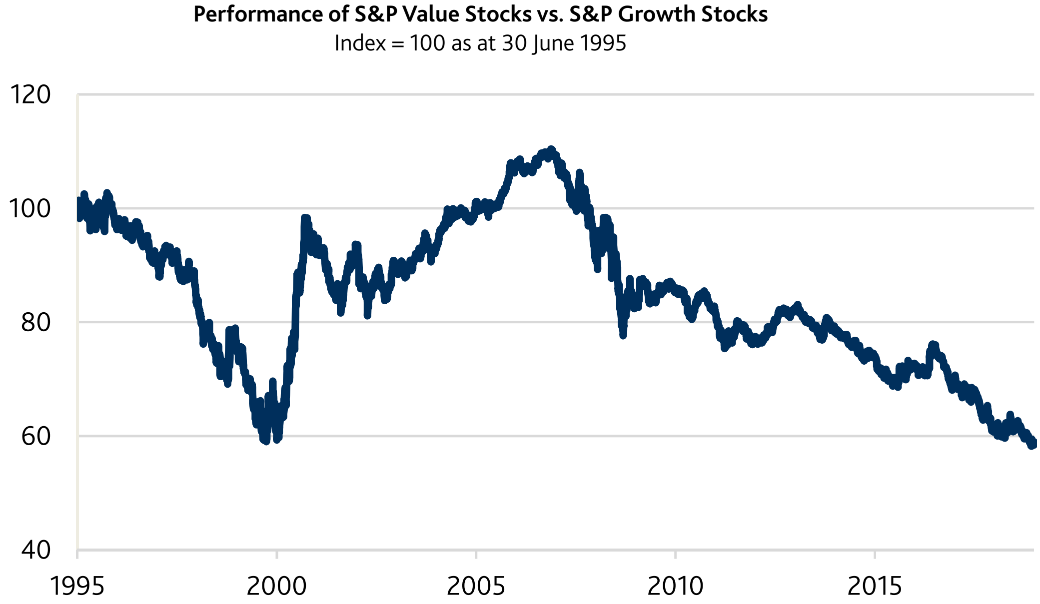
Not surprisingly, markets have responded to the trade developments by reverting to a highly risk-averse stance. Global government bond yields have fallen sharply, as central banks changed their stance on future interest rate moves and investors sought risk-free assets. In the equities markets, investors' desire to avoid uncertainty has continued to favour high-growth companies (predominantly technology companies), that are perceived to be immune to external influences. Safe havens, such as consumer staples, utilities, real estate, and infrastructure have also benefited. Conversely, businesses with any degree of cyclicality were sold off aggressively, notably semiconductor companies, which were impacted by the Huawei ban and auto companies, which remain at the centre of the trade disputes. Commodity stocks also sold off in line with lower metals and energy prices, which weakened on lower growth prospects.

The extremes in valuations are encapsulated well in two groups of stocks. The memory chip industry has in recent years consolidated to three players for DRAM (the memory chips in PCs and data centre servers) and five players for flash memory or NAND (the memory chips in smartphones). The industry has extraordinary barriers to entry in terms of technological and industrial knowhow. Post consolidation, the profitability of the industry has improved dramatically though it remains a cyclical business. With a downturn in smartphone sales and spending on new data centres last year, memory chip prices have fallen and profits are expected to fall by around 50% or more this year. These stocks were sold off heavily last year, and again in recent months, as a result of trade tensions and the Huawei ban. Micron, one of the three producers of DRAM, recently traded close to book value, and on our assessment of likely profits, once the business recovers, was trading on 4 to 5x earnings. In our experience, this is a highly attractive valuation. This industry will grow as the demand for computing grows. On the other hand, e-commerce players and new software business models, which will drive the demand for DRAM and flash memory chips, are trading at extraordinary valuations. Last quarter we highlighted the software-as-a-service (SaaS) companies, many of which trade at valuations in the range of 15 to 25x sales. We believe the likelihood of any company growing their business fast enough for long enough to justify such a valuation is very low.

The contrasting stock market treatment of these two groups of companies is part of a longer-term market phenomenon of growth stocks outperforming value stocks. While we would usually avoid referring to this growth and value categorisation, it helps to highlight the dynamic of investors crowding into growth stocks and avoiding companies with any degree of cyclicality.

Figure 2 shows the performance of US growth stocks over US value stocks in the S&P 500 Index. The descending pattern in the chart over the last 12 years reflects the outperformance of growth over value, with growth stocks rising by far more than value stocks relentlessly since 2007. We would simply note that the last time we were at current levels was in 1999-2000. At this time, tech stock, Cisco Systems

Fig. 2: Value vs. Growth – Back to 1999-2000 Levels



Source: Bloomberg

(networking equipment) traded at 190x earnings and Diageo (alcoholic beverages) traded on 12x earnings. Cisco's stock price subsequently fell 85% from its record high in March 2000, and today, remains 30% below its 2000 highs. Meanwhile, Diageo's stock price subsequently increased seven fold.[5]

In summary, there are significant parts of the global equity market that are trading at very high, in some cases even exorbitant, valuations. We can't be bearish enough on these particular companies. It is worth noting that the Nasdaq Stock Market in the US (home of many of the highly valued growth stocks, notably high-tech) has historically had a high correlation with US economic growth. On the other hand, there are groups of stocks globally that trade on attractive valuations versus historical averages. Most of these are cyclical businesses, and although the global economic outlook is problematic, as we outlined earlier in this commentary, our assessment is that their stock prices already more than reflect a recessionary environment.

5 Source: FactSet

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 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.**

   PMC's returns have been provided by Platinum. The MSCI All Country World Net Index (A$) returns have been sourced from FactSet. Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then. For the purpose of calculating the "since inception" returns of the Index, PMC's portfolio inception date (29 June 1994) is used. Platinum does not invest by reference to the weightings of the Index. PMC's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, PMC's holdings may vary considerably to the make-up of the Index. Index returns are provided as a reference only.

   The investment returns shown are historical and no warranty can be 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. the positions listed other than "cash" and "shorts") represents, as a percentage of PMC's portfolio value, PMC's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.

3. The table shows, as a percentage of PMC's portfolio value, PMC's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices.

4. The table shows the effective net currency exposures of PMC's portfolio as a percentage of PMC's portfolio value, taking into account PMC's currency exposures through securities holdings, cash, forwards, and derivatives. 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 10 long equity positions as a percentage of PMC's portfolio value, taking into account direct securities holdings and long stock derivatives. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

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