Platinum Capital Limited ASX PMC

31 January 2016

Facts

Portfolio value		$355.59 mn	
Portfolio inception		29 June 1994	
Current share price		$1.78	
Current dividend yield		6.74% fully franked	
Pre-tax NAV	**$1.5105**	NAV retained earnings &	
Post-tax NAV	$1.5019	dividend profit reserve	20.84 cps
NAV franking	9.32 cps	Realised franking	8.46 cps

Fees

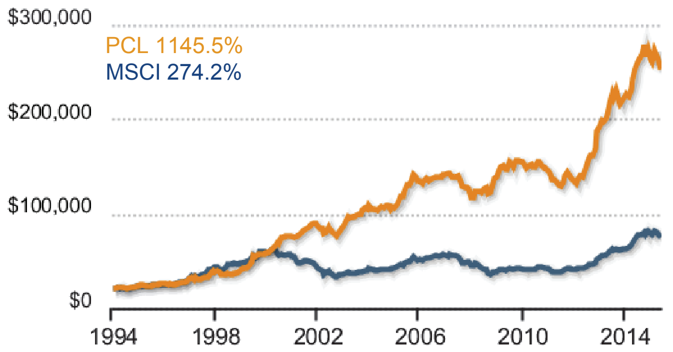
Management fee: 1.1% p.a. of the portfolio value

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[1] (Pre Tax, after base fees)

	FUND %	MSCI %
1 month	(3.92)	(3.35)
3 months	(7.47)	(7.70)
6 months	(7.87)	(8.02)
Calendar year to date	(3.92)	(3.35)
1 year	(0.55)	2.61
2 years (compound pa)	5.83	10.81
3 years (compound pa)	16.40	18.27
5 years (compound pa)	10.02	11.87
7 years (compound pa)	10.02	9.46
10 years (compound pa)	6.70	4.30
Since inception (compound pa)	12.39	6.30

Performance graph[2]



Source: Factset and Platinum

Invested positions[3]

	LONG %	NET %	CURRENCY %
Australia	0.4	0.4	9.4
Brazil	0.0	0.0	0.1
Canada	0.7	0.7	1.0
China	3.8	3.8	(6.5)
China Ex PRC	13.9	13.9	
Hong Kong	1.3	1.3	11.3
France	4.4	4.4	
Germany	2.9	2.9	
India	5.8	5.8	5.9
Italy	4.6	4.6	
Japan	9.3	9.3	10.1
Korea	5.4	5.4	2.0
Malaysia	0.9	0.9	0.9
Nigeria	0.2	0.2	0.2
Norway	0.5	0.5	4.9
Russia	0.7	0.7	
Sweden	2.5	2.1	2.6
Switzerland	0.5	0.5	0.5
United Kingdom	6.8	6.8	4.5
United States	20.6	11.1	51.7
Vietnam	2.1	2.1	(0.1)
Zimbabwe	0.5	0.5	
	87.7	77.7	
China Renminbi Off Shore			(6.8)
Euro Currency			8.3
Cash	12.3	22.3	
Total	100.0	100.0	100.0

Long - 97 stocks, 4 swaps, 1 bond   Short - 2 stocks, 1 index

Top ten positions[4]

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.3
Alphabet Inc	USA	Info Technology	2.7
Tencent Holdings Ltd	China Ex PRC	Info Technology	2.6
China Pacific A share P-Note	China	Financials	2.6
Ericsson LM-B	Sweden	Info Technology	2.5
AstraZeneca PLC	UK	Health Care	2.5
Carnival Corp	UK	Cons Discretionary	2.3
Intesa Sanpaolo SpA	Italy	Financials	2.2
Eni SpA	Italy	Energy	2.1
Paypal Holdings Inc	USA	Info Technology	1.8

Industry breakdown[3]

SECTOR	LONG %	NET %
Info Technology	24.4	24.4
Cons Discretionary	13.7	13.7
Financials	11.4	11.4
Health Care	9.0	8.3
Industrials	7.3	6.8
Consumer Staples	6.3	6.3
Energy	4.5	4.5
Materials	3.6	3.6
Utilities	3.6	3.6
Telecom Services	3.4	3.4
Other*	0.6	(8.3)

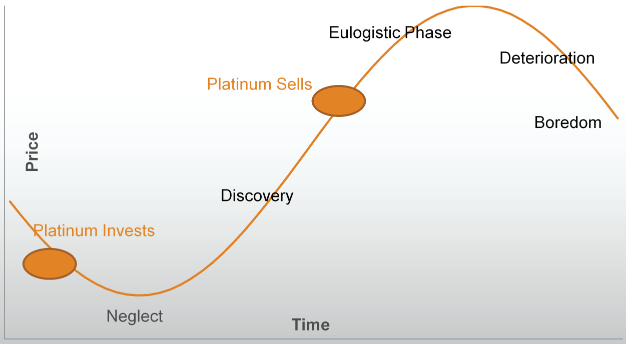
* Includes index short position

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 Platinum Capital Limited (PMC). You should also be aware that performance results are calculated using historic points of reference. PMC 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$20,000 invested in PMC since inception relative to the MSCI All Country World Net Index in A$ (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 (NAV) price 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 to 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 the Company'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 Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the investment manager of PMC. Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances.

Platinum Capital Limited

Platinum's approach



Source: Platinum

Platinum ASSET MANAGEMENT

World View

- Slow growth, (but incomes rising)
- Oversupply of Commodities (ex Oil)
- Weak "Things" v Services
- Low inflation -> cheap money to continue
- Ecommerce driven substitution
- FX moves to impact competitiveness
- FAVOUR Innovators and New Cyclicals over Capacity Threats

Platinum ASSET MANAGEMENT

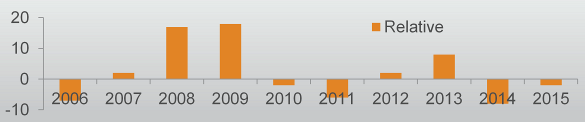
PMC : 10 years : 2006-2015

2006-2011 Average Net Exposure : 65%

	PMC	Market	Relative
2006	6	13	-7
2007	2	0	2
2008	-10	-27	17
2009	23	4	18
2010	-3	-1	-2
2011	-13	-7	-6
6yr Average	0	-4	4

2012-2015 Average Net Exposure : 78%

	PMC	Market	Relative
2012	17	15	2
2013	50	43	8
2014	6	14	-8
2015	8	10	-2
4yr Average	19*	20^	0
10yr Average	**7.2**	**4.8**	**2.4**



Source: Platinum, MSCI, *Best since 2002 ^Best since 2000

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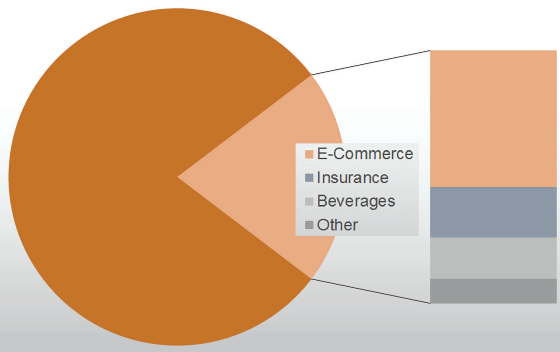
PMC's Average China Exposure 2015



Source: Platinum

Platinum ASSET MANAGEMENT

Market update and Commentary

Reducing exposure to equity markets around six months ago was prudent but not enough to protect the portfolio against the recent down-draft. January 2016, like August 2015, was a difficult month and the dramatic fall-off in one-year returns from markets (and the Company) since October makes confronting reading, as late-2014's strength was replaced by the recent sell-off. It is also, however, a reminder after a prolonged and relatively stable up-market, that equity markets are not a one-way ride. The headlines blame China, oil and perhaps the Fed's tighter monetary policy. While oil fell further than even the most fanciful of forecasts, it is for now a boost to consumers (and we expect an area of investment opportunity). News on US monetary policy and China's challenges were not new though may have been given more weight in decision-making.

The performance over the last six months has been disappointing. The ten year context for performance is above, split into the low return period 2006-2011 and more recent strength in 2012-2015. However, as we encountered in the Asian crisis (1997) and European sovereign crisis (2011) it seems to be been a case of cheap stocks, and markets, getting cheaper. Today with emerging markets and commodities in the firing line, recent moves are the result of broader acceptance of problems we have long been aware of. We have not positioned ourselves for global Armageddon, but as per our approach, we have progressively built positions in unloved companies with prospects that we think are under-appreciated; many of these are in Asia. As risk aversion increased, money remains attracted to predictability and momentum which makes it temporarily hard for our investment approach.

We respect markets and constantly revisit our hypotheses, even more so when returns are negative. Our large exposure (c. 17%) to stocks exposed to the Chinese consumer is a case in point. China's transition from an investment driven economy means it is slowing but we think the challenges get too much weight. Risks of policy mistakes do exist, but on the other hand, the Chinese are in a position to stimulate the economy and loosen monetary policy to an extent that most Western governments and central banks no longer can. When we look at what we hold – primarily e-commerce, insurance and beverages (see chart above) - we remain convinced, that we are exposed to growth at very attractive absolute and relative values. Most people agree with our hypothesis on the emerging/Chinese consumer yet few are willing to invest in the idea directly. We hold a short on the currency as we think it should be allowed to weaken; until it does those who don't employ currency management may remain on the sidelines.

Today, the portfolios weighted median stock is on a P/E of 14x, less than Australia's 15x or the US on 16x, and with our shorts and cash, effectively we have one-quarter of the Company on the sidelines. Our inclination is to use the heightened fear in markets to add to positions in companies we already own, and know well, where businesses are tracking our roadmaps, yet where investors are not keen to jump in, yet. Our currency positioning after a successful run in the US dollar, is more neutral with the Yuan short into US dollars, the only major position for now.