

**Facts**

Portfolio value	\$512.4 mn
Portfolio inception	29 June 1994
Current share price	\$2.020
Current dividend yield	4.95% fully franked
<b>Pre-tax NTA</b>	<b>\$1.7909</b>
Post-tax NTA	\$1.6658
Max. franked dividend	3.49 cps
	NTA retained earnings & dividend profit 33.60 cps

**Performance<sup>1</sup>**

	FUND % (Pre-tax NTA)	MSCI %
1 month	(0.52)	(1.38)
3 months	6.53	6.07
6 months	14.12	9.06
Calendar year to date	24.25	14.77
1 year	24.25	14.77
2 years (compound pa)	13.42	11.53
3 years (compound pa)	11.69	10.96
5 years (compound pa)	17.27	17.26
7 years (compound pa)	12.21	13.02
10 years (compound pa)	11.47	5.87
Since inception (compound pa)	12.72	6.91

The Pre-tax NTA return is calculated on net assets after the deduction of fees & costs and assumes the re-investment of any dividends

**Invested positions<sup>3</sup>**

	LONG %	NET %	CURRENCY %
Australia	1.8	1.8	2.7
Canada	0.2	0.2	0.2
China	23.0*	23.0*	4.2
Hong Kong	0.4	0.4	15.5
Denmark	1.0	1.0	1.0
France	3.1	3.1	
Germany	5.5	5.5	
India	4.2	4.2	4.5
Italy	1.3	1.3	
Japan	17.9	17.9	11.2
Korea	8.5	8.5	8.5
Malaysia	1.1	1.1	1.1
Norway	1.4	1.4	7.1
Russia	0.9	0.9	
South Africa	0.3	0.3	0.3
Switzerland	3.4	3.4	1.0
United Kingdom	6.5	6.5	5.2
United States	14.5	0.2	20.3
Vietnam	0.8	0.8	0.8
Zimbabwe	0.8	0.8	
	96.4	82.1	
Euro Currency			16.6
Cash	3.6	17.9	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Long - 94 stocks, 2 swaps			Short - 8 stocks, 1 option, 1 index

\*China includes exposure to Chinese A shares, H shares and ADRs.

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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 Platinum as to their accuracy or reliability.

1. Source: Platinum for PMC returns and RIMES Technologies for MSCI returns. Performance results have been calculated using the pre-tax net tangible asset value 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. The returns are calculated 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). Past performance is not a reliable indicator of future returns.

2. Source: Platinum for PMC returns and RIMES Technologies for MSCI returns. 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 tangible asset value as released to the ASX 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. Past performance is not a reliable indicator of future returns.

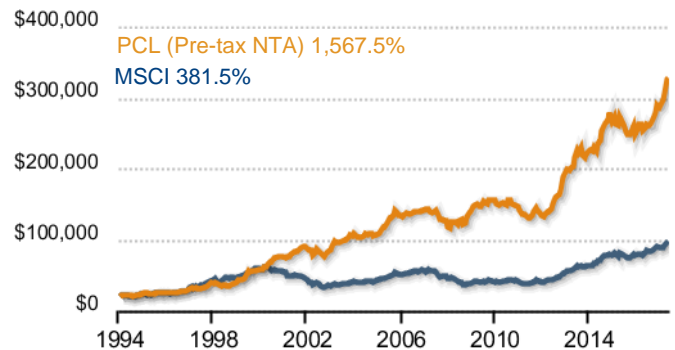
3. The "Long %" represents the exposure to physical holdings, corporate fixed income securities and long stock derivatives as a percentage of PMC's portfolio value. The "Net %" represents the exposure of physical holdings and both long and short derivatives as a percentage of PMC's portfolio value. The "Currency %" represents the currency exposure for PMC's Portfolio as a percentage of PMC's portfolio value, taking into account currency hedging.

4. The "Top ten positions" show PMC's top long share exposure positions as a percentage of PMC's portfolio value. Long derivative exposures are included. However, short derivative exposures are not.

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**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 graph<sup>2</sup>**


The Pre-tax NTA return is calculated on net assets after the deduction of fees & costs and assumes the re-investment of any dividends

**Top ten positions<sup>4</sup>**

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.3
Alphabet Inc	USA	Info Technology	3.1
Inpex Corporation Ltd	Japan	Energy	2.9
Royal Dutch Shell PLC	UK	Energy	2.7
Sina Corp	China	Info Technology	2.5
Lixil Group Corporation	Japan	Industrials	2.4
Glencore plc	Switzerland	Materials	2.4
Ping An Insurance Grp	China	Financials	2.3
Nexon Co Ltd	Japan	Info Technology	2.2
Jiangsu Yanghe Brewery	China	Consumer Staples	2.1

**Industry breakdown<sup>3</sup>**

SECTOR	LONG %	NET %
Info Technology	21.8	21.8
Cons Discretionary	13.3	12.5
Financials	12.4	12.4
Industrials	11.4	11.4
Materials	10.9	10.9
Energy	10.0	10.0
Health Care	7.3	7.3
Consumer Staples	3.9	(0.2)
Telecom Services	1.7	1.7
Real Estate	1.5	1.5
Utilities	1.4	1.4
Other*	0.8	(8.6)

\* Includes index short position

## Market update and commentary

CIO Andrew Clifford revitalised the investment team structure during the 2011 and 2012 period, hence it is very pleasing to note that the Company has completed its best 5 years (2013-2017) since 2000, with compound returns of 17% per annum.

Indeed, 2017 was the fourth strongest year since the Company's inception in 1994 with strength across the board – including an outstanding contribution from North Asian stocks, and Technology and Financials to the fore sector-wise.

As the year progressed, the Portfolio continued to reduce exposure to the expensive US market (where exposure is lowest now since the GFC) and to migrate away from the Technology sector towards the unloved Energy and Materials sectors, which have started to pull their weight.

After a very strong 18 months for the Portfolio since Brexit (+37%), rather than simply claiming things played out as expected, it is useful to go back and look at what we were writing at the last trough, to note that the portfolio outcomes were not a surprise, but rather the outcome of a time-tested and methodical approach to building portfolios.

The team continuously holds an engaged debate on business, looking for companies that are out of favour, and tries to assess if this is temporary. Due to macro-economic factors, this often leads to clustering of ideas in particular sectors, or countries.

These quotes illustrate what we were saying ahead about the portfolio in mid-2016, when we were facing short-term performance challenges.

March 2016 Quarterly : "If one can assemble a portfolio comprising superior companies that are not priced to perfection, one should be able to outperform over time. We favour superior growth, superior profitability and below average use of financial leverage. Our portfolio is a lot more attractive than the average and represents the best value over the last 17 years. [There is the] possibility that our stock specific research is completely off-track...[but] we can find no basis to believe [this] is the case."

June 2016 Quarterly : "The odds do not favour renewing bets on the same colour when there has been a significant de-rating of all markets vis-à-vis Wall Street. The gap in valuation is..intriguing given around half of S&P500 companies' earnings come from international markets. The portfolio is predominantly composed of growing companies and those that are paying back decent amounts of incomes and by our calculations are likely to also grow, though in the main, slowly. We strongly favour this portfolio over the alternatives of long-dated negative-yielding bonds or very highly prized consumer staples."

Market Update, 11 August 2016 : "The differences in valuation between safe haven assets and all others are at an extreme, we liken this to a coiled spring, waiting to be released. Earnings yields [for many companies] are of the order of 7% to 12%, and in most cases we expect these earnings to grow. If one builds a portfolio from companies valued at these levels, and the underlying businesses perform through time as expected, then one will make money in the long term. We are far more focussed on whether our companies are performing as expected at the sales and profit level than the share price. And, by and large our companies are performing in line with the expectations we had for them. The reason we are able to operate at this level of conviction is the quality and depth of experience in the team. The opportunity here is to be in those areas that are out-of-favour and we have rarely seen the value that we have in the long side of the portfolio today."

Today, with this in mind, and after a strong period, one's natural instinct is to become increasingly cautious, however, the flow of ideas from the team remains strong, and the latest thoughts are worthy of reading, in the Quarterly Report, which will be online from 15 January.

One of the latest hot investment concepts is that of passive investing, the appeal of which is simply that markets have been doing well and so temporarily it feels that the value add of active managers – stock selection and risk management – is diminished. At any point that investors have started to believe such rhetoric, they have generally been badly burned. This table shows that the returns we have delivered over the last year could not have been replicated passively.

Region	Company's (Net) Exposure %	Index Return %	"ETF Outcome%"	Company's Contribution %
Asia	38	31	11.8	16.8
Europe	22	16	3.6	4.4
Japan	16	15	2.3	4.1
North America	3	12	0.3	0.5
Cash/FX	21	1.5 (RBA)	0.3	0.3
<b>Net Return (12 months)</b>			<b>18.4</b>	<b>24.3</b>

^"ETF Outcome%" = Net Exposure% X Index Return%/100

Net Exposure represents the Company's exposure as a % of NAV of physical holdings and both long and short derivatives as at 31.12.17

The index returns relate to MSCI AC Asia ex Japan, MSCI AC Europe, MSCI USA, MSCI Japan. Cash is RBA Cash Rate.

ETF outcome is assumed to achieve index return.

The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance.

\*To 31.12.17