

Facts

Portfolio value	\$408.9 mn
Portfolio Inception	29 June 1994
Current share price	\$1.250
Current dividend yield	4.80%
Pre-tax NTA	\$1.4080
Post-tax NTA	\$1.4231
Maximum franked dividend	6.79 cps
NTA retained earnings & div profit resv.	8.84 cps

Performance ¹

	Company % (Pre-tax NTA)	MSCI %
1 month	0.49	(0.51)
3 months	0.85	5.98
6 months	(9.95)	(4.28)
Calendar year to date	(9.95)	(4.28)
1 year	(3.50)	4.08
2 years (compound pa)	(1.76)	7.64
3 years (compound pa)	3.72	10.03
5 years (compound pa)	4.38	8.82
7 years (compound pa)	7.96	12.29
10 years (compound pa)	7.74	11.41
Since inception (compound pa)	11.33	7.05

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 positions ³

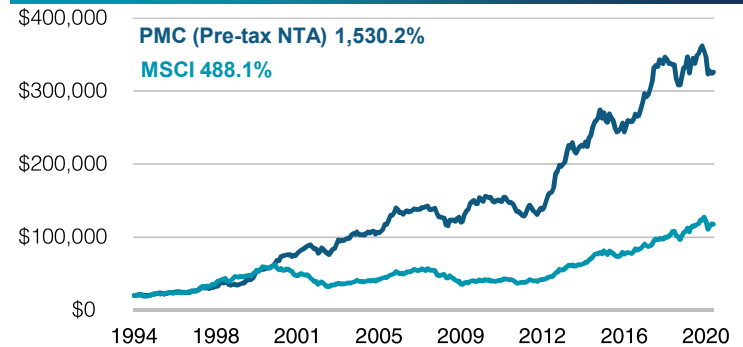
	Long %	Short %	Net %	Currency %
Asia-Pacific	41.1		41.1	59.8
Australia	0.4		0.4	10.7
China	17.6		17.6	17.6
Hong Kong	2.3		2.3	4.5
India	0.9		0.9	0.9
Japan	13.7		13.7	19.9
Korea	6.0		6.0	6.0
Thailand	0.3		0.3	0.3
Europe	20.7	(0.1)	20.6	33.3
Austria	0.9		0.9	
Belgium	0.1		0.1	
Denmark	0.6		0.6	0.6
France	3.5		3.5	
Germany	4.6		4.6	
Ireland	1.2		1.2	
Italy	1.3		1.3	
Netherlands		(0.1)	(0.1)	
Spain	2.9		2.9	
Switzerland	4.5		4.5	4.5
United Kingdom	1.0		1.0	1.0
Euro				25.1
Norwegian Krone				2.1
North America	25.0	(9.3)	15.7	5.1
Canada	1.3		1.3	1.9
United States	23.7	(9.3)	14.4	3.2
Other	1.9		1.9	1.9
Brazil	0.5		0.5	0.5
Zambia	1.1		1.1	1.1
Zimbabwe	0.3		0.3	0.3
Sub-Total	88.7	(9.4)	79.2	100.0
Cash	11.3	9.4	20.8	
Total	100.0		100.0	100.0

Long - 79 stocks, 2 swaps Short - 10 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 graph ²



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Top ten positions ⁴

Stock	Country	Industry	%
Samsung Electronics Co Ltd	Korea	Info Technology	3.4
ZTO Express Inc ADR	China	Industrials	3.0
Amadeus IT Holdings	Spain	Info Technology	2.9
Ping An Insurance	China	Financials	2.8
Glencore plc	Switzerland	Materials	2.6
General Electric Co	United States	Industrials	2.5
LG Chem Ltd	Korea	Materials	2.4
Booking Holdings Inc	United States	Cons Discretionary	2.4
Bayerische Motoren	Germany	Cons Discretionary	2.3
Alphabet Inc	United States	Comm Services	2.3
	Total		26.5

Industry breakdown ³

Sector	Long %	Short %	Net %
Info Technology	16.8	(1.0)	15.8
Industrials	15.7	(0.3)	15.4
Materials	11.5		11.5
Consumer Discretionary	13.5	(2.3)	11.2
Financials	10.9		10.9
Health Care	9.4		9.4
Communication Services	6.8		6.8
Real Estate	2.0		2.0
Energy	1.7		1.7
Consumer Staples	0.5	(2.8)	(2.2)
Other		(3.1)	(3.1)

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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- First 10 days of June showed the potential of the portfolio to perform well in a market rotation away from historic extremes.
- The cost of protection and poor outcomes in Energy and Materials over the last two years have dragged down solid long-term numbers.
- The portfolio contains good value in both an absolute and relative sense.

The first 10 days of June provided insight into how the portfolio might benefit from a more sustained change in market trends. We have commented at length about the extreme divergence in the market, as investors crowd into a narrow group of companies, forcing us, for now, to patiently wait.

By 11 June, the portfolio was almost 5% ahead of index for the month, with tentative signs a rotation might be starting. Whether the extreme divergence is described as growth versus value, cyclical versus defensive, or cheap versus expensive, we would simply benefit from a change in market leadership. This is explored further in the upcoming quarterly report.

While last quarter looks tepid, one must remember that in a rising Australian dollar environment, the underlying stock returns were much higher and the translation was a headwind. We added 10% to the A\$ near March lows, diversifying away from the popular US dollar. While hindsight suggests we should have added more, this was a very significant shift compared with our historical norms and the window of opportunity was a matter of days.

The last two years have been challenging for two key reasons: short positions designed to protect portfolios have been costly with the natural targets of protection moving to ever-more fanciful levels, and disappointing outcomes among investments in the Energy and Materials sectors. With changes in the dynamics of the oil market accelerated by COVID-19, we have not topped the Energy positions back up, preferring to add several new exposures in higher-quality travel-related companies, which we expect to bounce back strongly on a three to five year view, as restrictions inevitably relax over time.

It is important to remember when looking at compound performance, the last two years have dragged down longer-term numbers; we kept up with the first nine years of the bull market, despite our cautious approach and this bull market being US centric. This followed on from the portfolio side-stepping the global financial crisis, so through-cycle returns were well ahead of the market from the May 2007 peak to, what looks like for now, a cycle peak at February 2020.

Looking forward, the portfolio is more fully invested than we are optimistic as we tread a fine line between shorting in the face of stimulus and momentum, and acknowledging that to some extent, shorting expensive stocks while owning cheap stocks is compounding a view that requires rotation away from current historic extremes. One might describe us as having a finger on the trigger (to add protection), as we constantly assess the complex impacts of lockdowns, second waves, stimulus removal and underemployment, coupled with insatiable demand for certain types of stocks.

The table breaks down performance for the last year, highlighting specifically, the high cost of protection in this unusual environment, despite benefits provided in the extreme sell-off from 20 February to 23 March. It also breaks out the cost of investments in Energy and Materials to demonstrate that the rest of the portfolio did a solid, if unspectacular job, but certainly was ahead of market outcomes despite the skew towards the highly favoured stocks, particularly technology, where our own investments did well.

1 year to 30 June 2020	Average Weight %	Contribution %
Energy and Materials	15	(4)
Other Long Positions	73	7
Shorts Positions	(15)	(8)
Cash / FX	26	3
Total (Portfolio NAV)		(4)
Comparison (Market)		4

Over the last year the top contributors have been semiconductors (Intel, Skyworks, Microchip, Micron), Platforms (Alphabet, Facebook, Tencent), ZTO (China delivery), Bharti Airtel (Indian telco) and Moderna (vaccine developer). In the last quarter, with the rebound in markets, LG Chemical, Glencore, Valeo and BMW, which all play to the Electric Vehicle thematic have, made a positive impact.

Valuation: Earnings forecasts at this stage have less value than normal but valuation of the portfolio against historic earnings gives a sense of the earnings power of the portfolio. The table suggests there is value in an absolute sense and relative to the market.

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
LTM (Last 12 Months) Earnings Yield	6.5% (Price to Earnings ratio of 15.5x)	5.4% (Price to Earnings ratio of 18.8x)
LTM (Last 12 Months) Dividend Yield	3.0%	2.9%
Price-to-Book-Ratio	1.4	2.2
Enterprise Value-to-Sales	1.3	1.6

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