

# PLATINUM QUARTERLY PRESENTATION

## Q1 2017

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London

15<sup>th</sup> May, 2017

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# AGENDA: PLATINUM QUARTERLY

## Q1 2017, 2016 AND 2017 REVISED FORECAST

### 1. Introduction

*Paul Wilson, CEO*

### 2. Market Development update

*Marcus Grubb, Director of Market Development*

### 3. Fundamentals review and insights

*Trevor Raymond, Director of Research*

### 4. Questions

*Paul Wilson*

*Trevor Raymond*

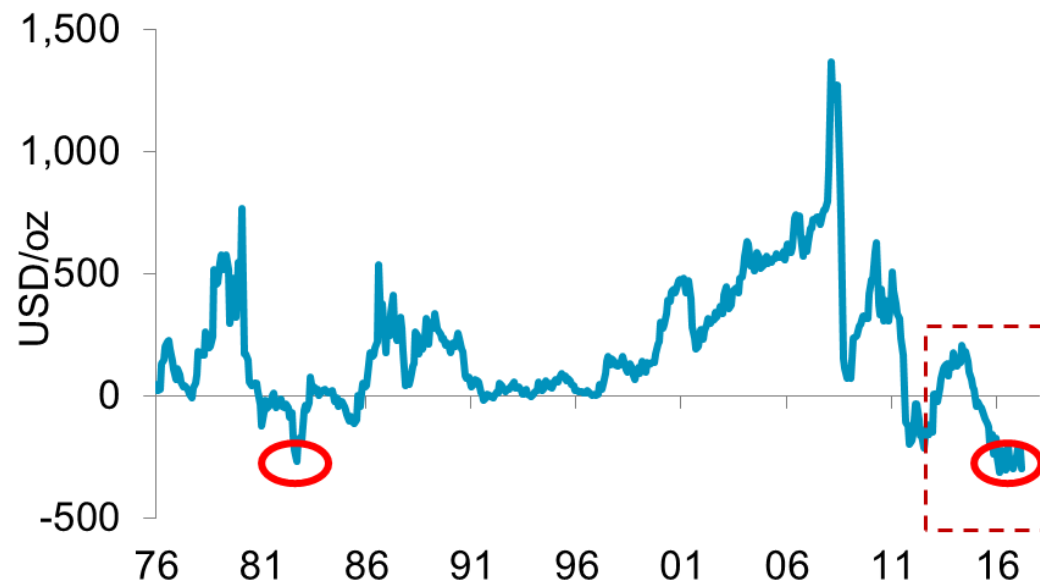
*Marcus Grubb*



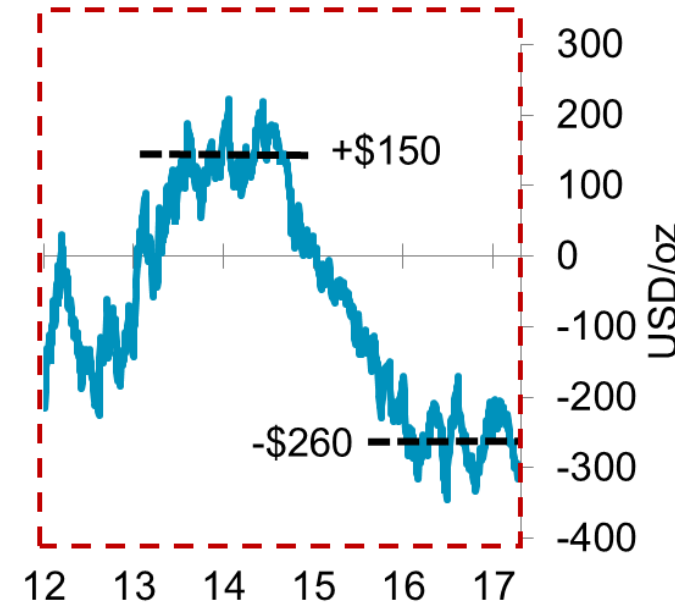
# CUMULATIVE DEFICITS LIFT INTEREST IN PLATINUM

- Resurgent interest in platinum – extensive investor engagement
- Price discovery still dominated by short term views but growing scrutiny of fundamentals
- Supply weakness, demand growth potential and deep discount make platinum interesting
- Game changing C40 action at city level likely to change automaker behaviour – another trigger to invest

**Platinum vs. Gold – Spread**



**Discount / Premium (Jan 2012 – Mar 2017)**



# WPIC PORTFOLIO OF MARKET DEVELOPMENT PROJECTS IS GROWING

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- WPIC partners and potential partners see latent demand for platinum
- Partner co-investment in our growing portfolio confirms their commitment to new products
- These are adding to the platinum held as an investment by investors around the world
- Market gaps being filled across demand segments – adding to global market tightness





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- Innovative Mandate
- Joint Venture Partnerships
- Future Initiatives

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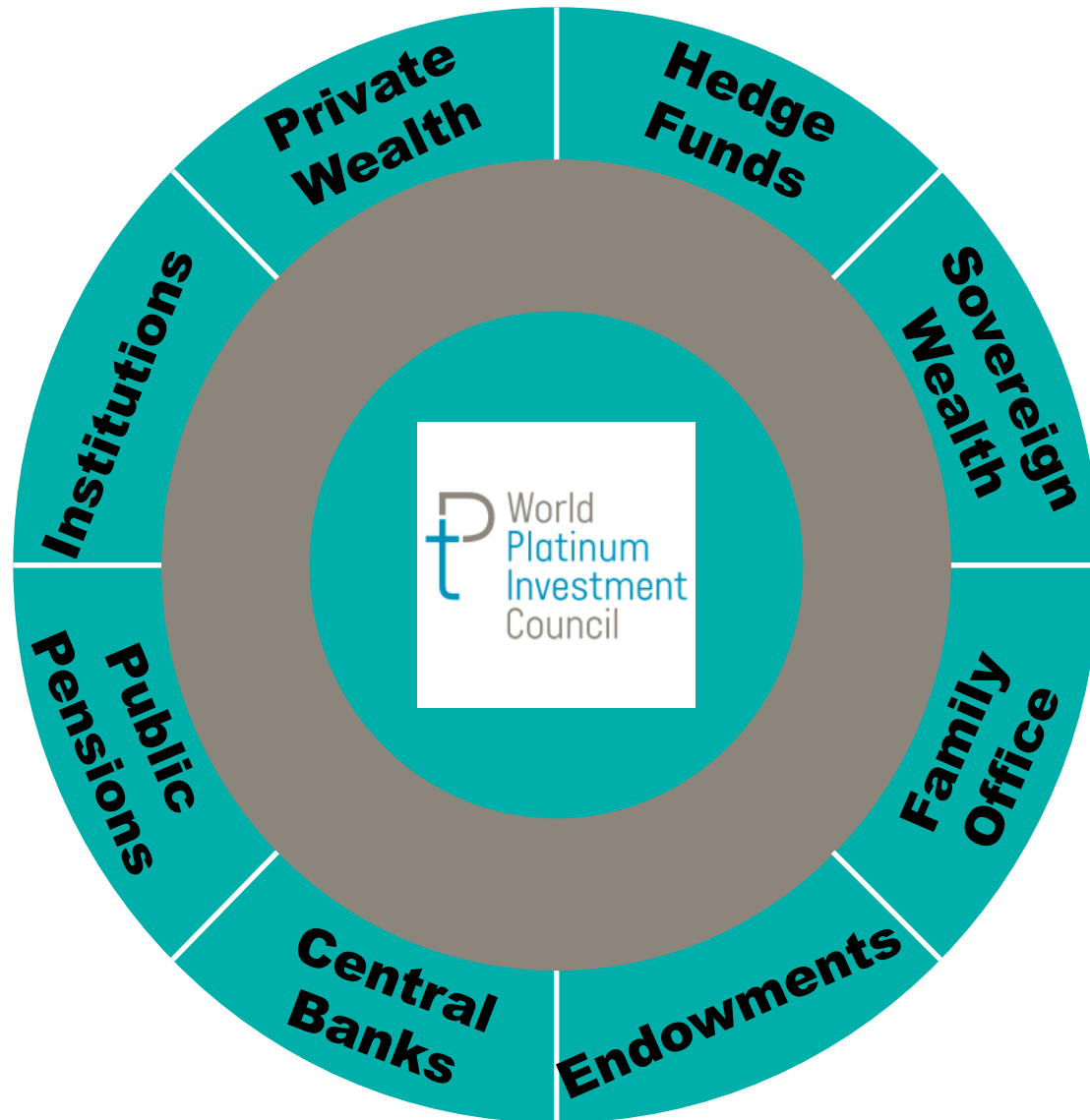
*Paul Wilson*

*Trevor Raymond*

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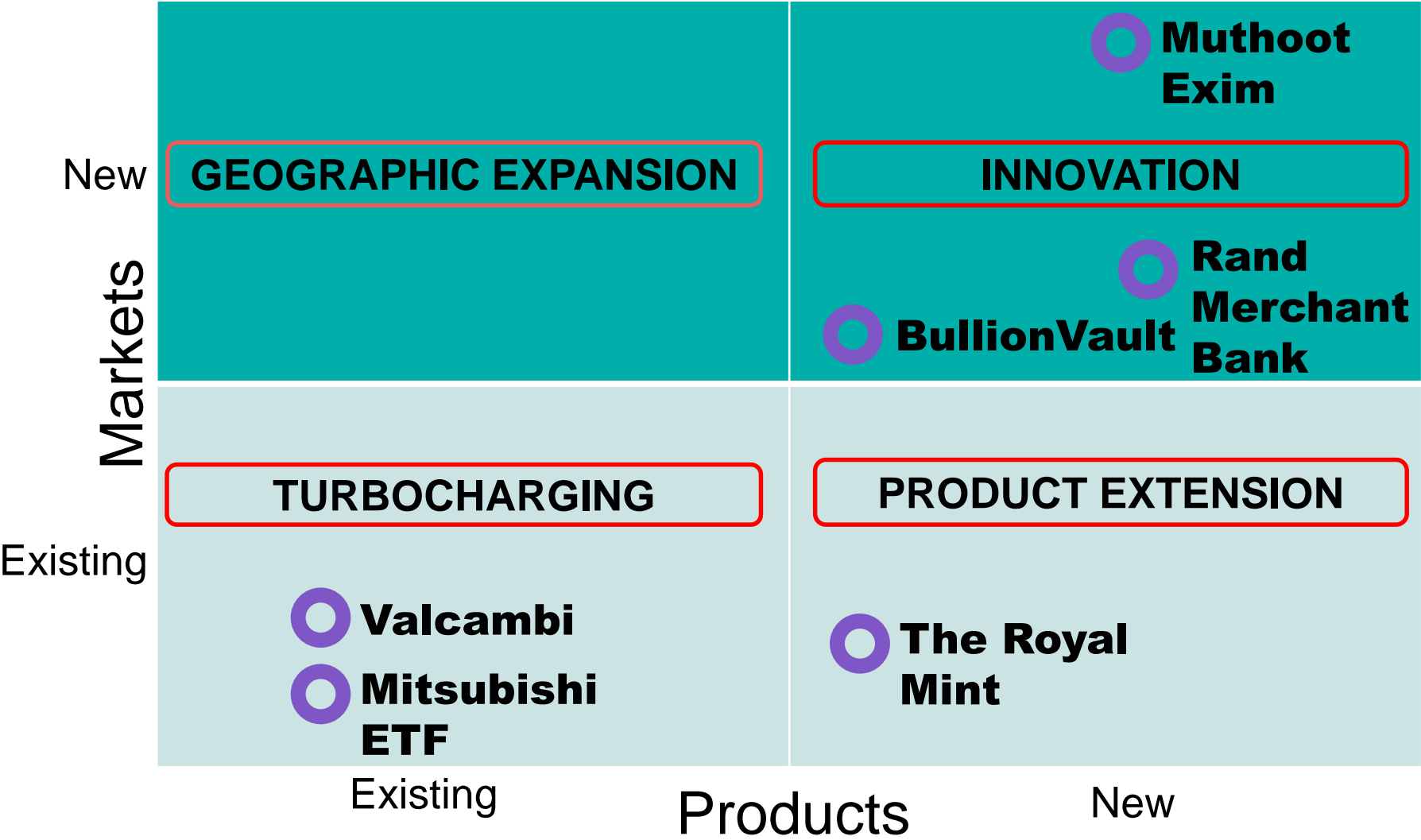
# UNIQUE WPIC MANDATE - PROVIDES ACCESS TO TOP INVESTORS AND PARTNERS GLOBALLY



## Investment products

Coins and bars  
Accumulation plans  
Physically backed ETPs  
Vaulted physical  
Other (BCCC etc.)

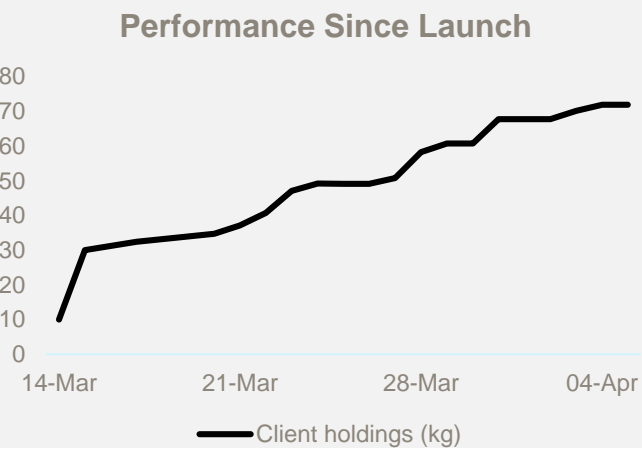
# AN EXPANDING PORTFOLIO





## BullionVault

- Partnered BullionVault to offer platinum for the first time
- The product facilitates VAT-free investor purchases and sales
- Since launch in March platinum volume to date of 175kg



## Muthoot

- Partnered Muthoot to launch India's first platinum savings scheme using a platinum deity
- A pilot in 625 branches across India
- New platinum products coming



## The Royal Mint

- Partnered the Royal Mint to launch the Mint's first platinum bullion coin and bar products
- March launch of the Beast, more retail platinum products to follow
- International distribution



Stakeholder	Need to Increase Demand
<b>Household Consumers &amp; Retail Investors</b>	<ul style="list-style-type: none"> <li>• Quality assurance e.g. Pt 950</li> <li>• Consistent availability with transparent, competitive pricing and buyback</li> <li>• New brands and channels</li> </ul>
<b>Institutional Investors &amp; Fund Managers (Selected Markets)</b>	<ul style="list-style-type: none"> <li>• New fund products utilising platinum</li> <li>• New alpha generation products</li> <li>• Products that provide easy addition of platinum as an asset class</li> </ul>
<b>Wholesale &amp; Retail Dealers</b>	<ul style="list-style-type: none"> <li>• Consistent supply of metal</li> <li>• Competitive leasing and wholesale pricing</li> <li>• Access to liquid hedging products and markets</li> <li>• New brands and products</li> </ul>
<b>Financials, NBFCs &amp; Internet channels</b>	<ul style="list-style-type: none"> <li>• New platinum savings and trading products</li> </ul>
<b>Refineries &amp; Mints</b>	<ul style="list-style-type: none"> <li>• New customers and new products</li> <li>• Higher value add</li> <li>• Metal leasing</li> </ul>
<b>Exchanges</b>	<ul style="list-style-type: none"> <li>• New contracts/products</li> <li>• Use as collateral</li> </ul>
<b>Regulators, Treasury &amp; Government</b>	<ul style="list-style-type: none"> <li>• Organised markets</li> <li>• Ease of import and export</li> <li>• Equitable taxation</li> </ul>

# MARKET INTELLIGENCE EXAMPLE: INDIA THE MARKET OPPORTUNITY

The Indian economy is the fastest growing economy in the G20, with a middle class that is expected to hit 200m by 2020<sup>2</sup>

Metric	Size
Population	1.3 Bn
GDP	\$2.1 Tn
Growth p.a.	7.93% <sup>1</sup>

<sup>1</sup>2015-16 annual GDP growth rate

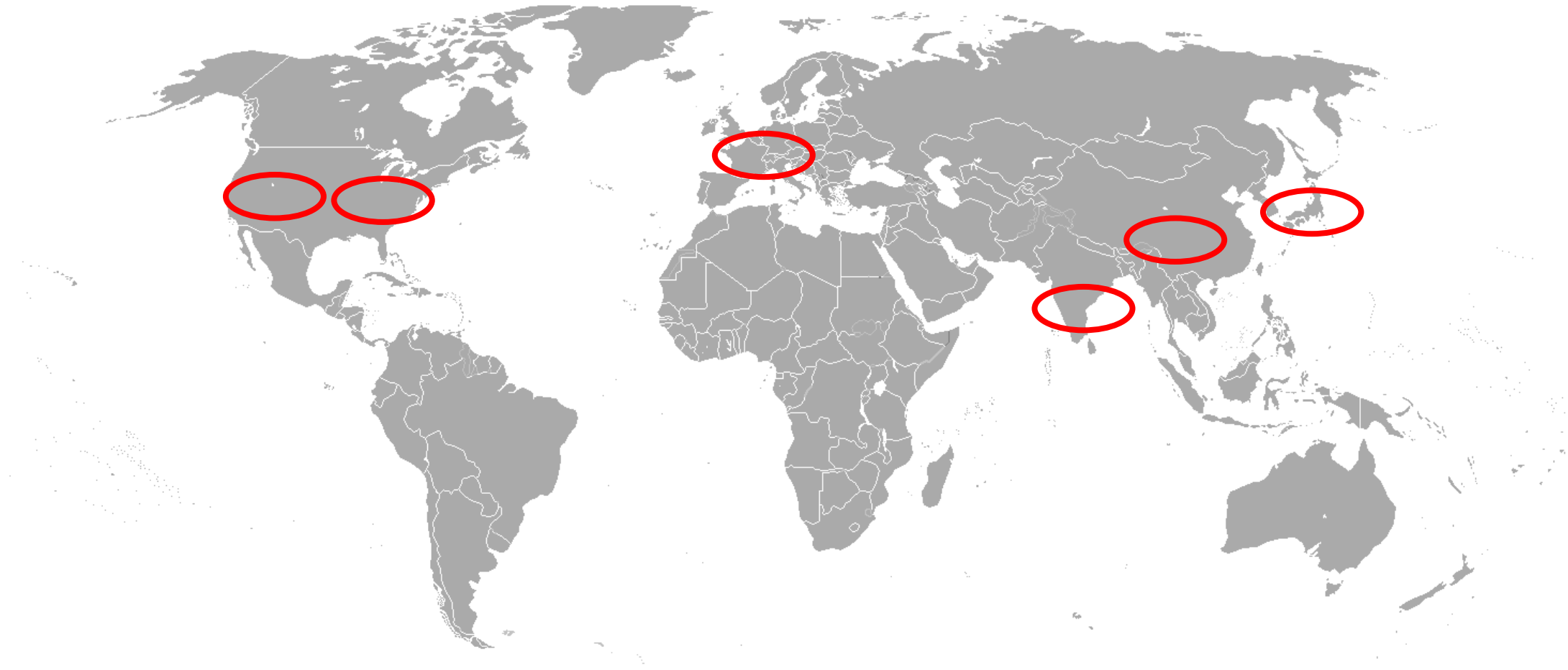
<sup>2</sup> EY Rapid Growth Forecast

...with the platinum market significantly lagging behind gold in terms of both existing product sales and overall product range.

Product / sales	Gold	Platinum
Jewellery sales p.a.	514 t	7.6 t
Bars & coins p.a.	160 t	Not known
Domestic contract	✓	X
Domestic price	✓	X
Indian ETF	✓	X

# CURRENT & FUTURE INITIATIVES

“The WPIC has a broad portfolio of new market development initiatives aimed at increasing the range of sustainable platinum investment products globally.”



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- Supply, demand and balance
- 2013 to 2017f and Q1 2017
- Investment case for platinum

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# SUPPLY WEAKER AND DEMAND STRONGER THAN PREVIOUS FORECASTS

SUPPLY	2013	2014	2015	2016	2017f
<b>Refined Production</b>	<b>6,070</b>	<b>4,880</b>	<b>6,150</b>	<b>6,025</b>	<b>5,960</b>
South Africa	4,355	3,115	4,465	4,245	4,200
Other	1,500	2,115	1,730	1,810	1,770
<b>Total Mining Supply</b>	<b>5,855</b>	<b>5,230</b>	<b>6,195</b>	<b>6,055</b>	<b>5,970</b>
<b>Recycling</b>	<b>1,980</b>	<b>2,035</b>	<b>1,710</b>	<b>1,865</b>	<b>1,760</b>
Autocatalyst	1,120	1,255	1,190	1,235	1,255
Jewellery	855	775	515	625	500
<b>Total Supply</b>	<b>7,835</b>	<b>7,265</b>	<b>7,905</b>	<b>7,920</b>	<b>7,730</b>
<b>DEMAND</b>					
Automotive	3,180	3,305	3,390	3,435	3,405
Jewellery	2,945	3,000	2,880	2,565	2,530
Industrial	1,530	1,545	1,670	1,775	1,610
Investment	935	150	305	505	250
<b>Total Demand</b>	<b>8,590</b>	<b>8,000</b>	<b>8,245</b>	<b>8,280</b>	<b>7,795</b>
<b>Balance</b>	<b>-755</b>	<b>-735</b>	<b>-340</b>	<b>-360</b>	<b>-65</b>
<b>Above Ground Stocks</b>	<b>3,385</b>	<b>2,650</b>	<b>2,310</b>	<b>1,950</b>	<b>1,885</b>

- **Refined production:** Downward trend continues - capex down and opex up
- **Recycling:** 2016 an outlier. Slow growth continues
- **Demand:** Jewellery weakness, automotive and investment strength
- Deficits revised higher in 2016 and 2017
- Stocks at historic lows



# LARGEST QUARTER DEFICIT SINCE Q3'14

## SUPPLY Q1 2016 // Q4 2016 Q1 2017

Refined Production	1,270	1,490	1,390
Inc (-)/Dec (+) in Producer Inventory	150	-75	-60
Recycling	395	480	420
<b>Total Supply</b>	<b>1,815</b>	<b>1,895</b>	<b>1,750</b>

## DEMAND Q1 2016 // Q4 2016 Q1 2017

Automotive	875	875	895
Jewellery	600	680	620
Industrial	445	400	455
Investment	155	220	80
Change in Bars, Coins	140	110	25
Change in ETF Holdings	-25	115	65
Change in Stocks Held by Exchanges	40	-5	-10

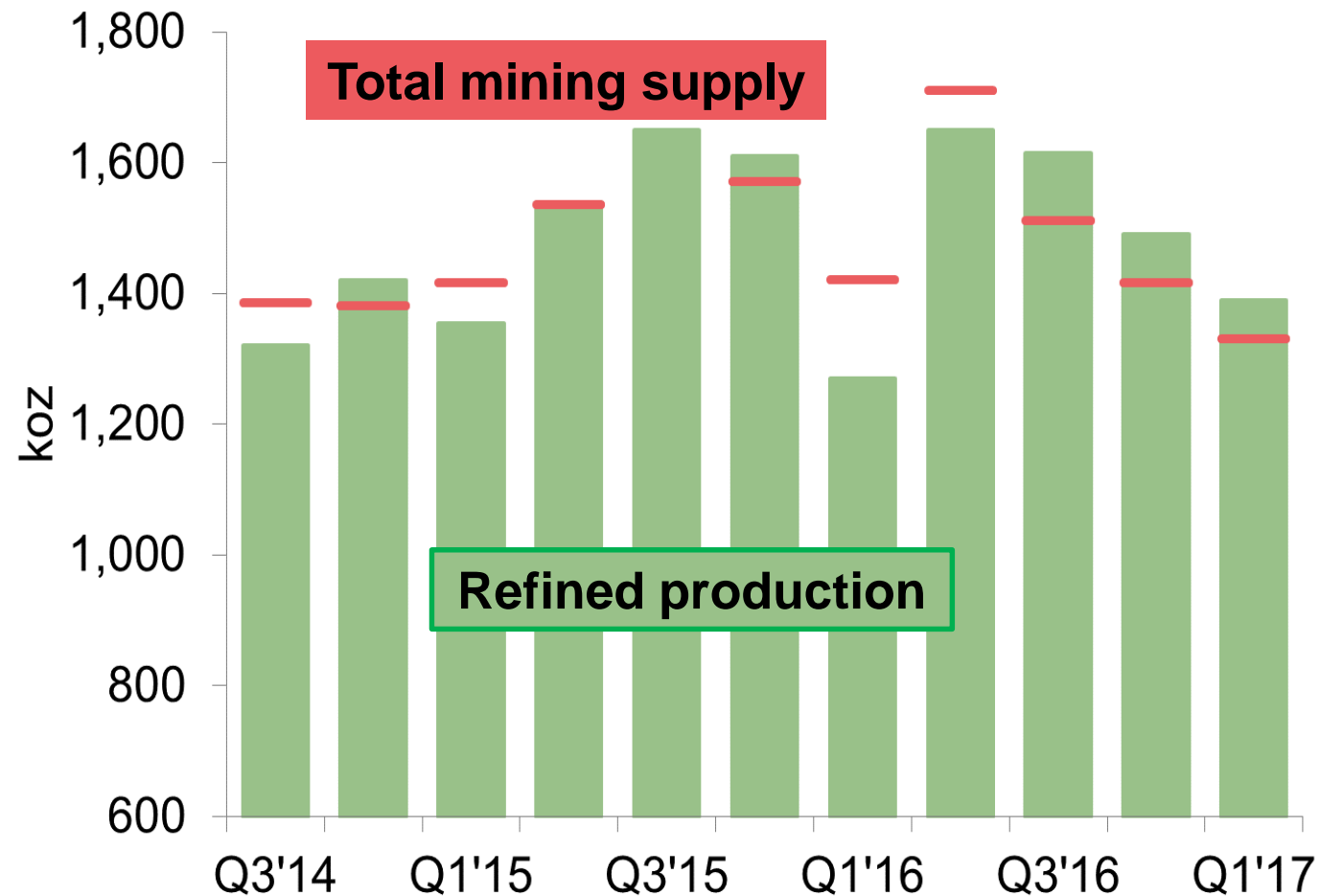
<b>Total Demand</b>	<b>2,075</b>	<b>2,175</b>	<b>2,050</b>
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<b>Balance</b>	<b>-260</b>	<b>-280</b>	<b>-300</b>
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- Producer inventories stretched
- Weak supply – decline continues
- Automotive, jewellery and industrial all firm
- Investment demand falls from strong Q4'16

# MINING SUPPLY DECLINE CONTINUES

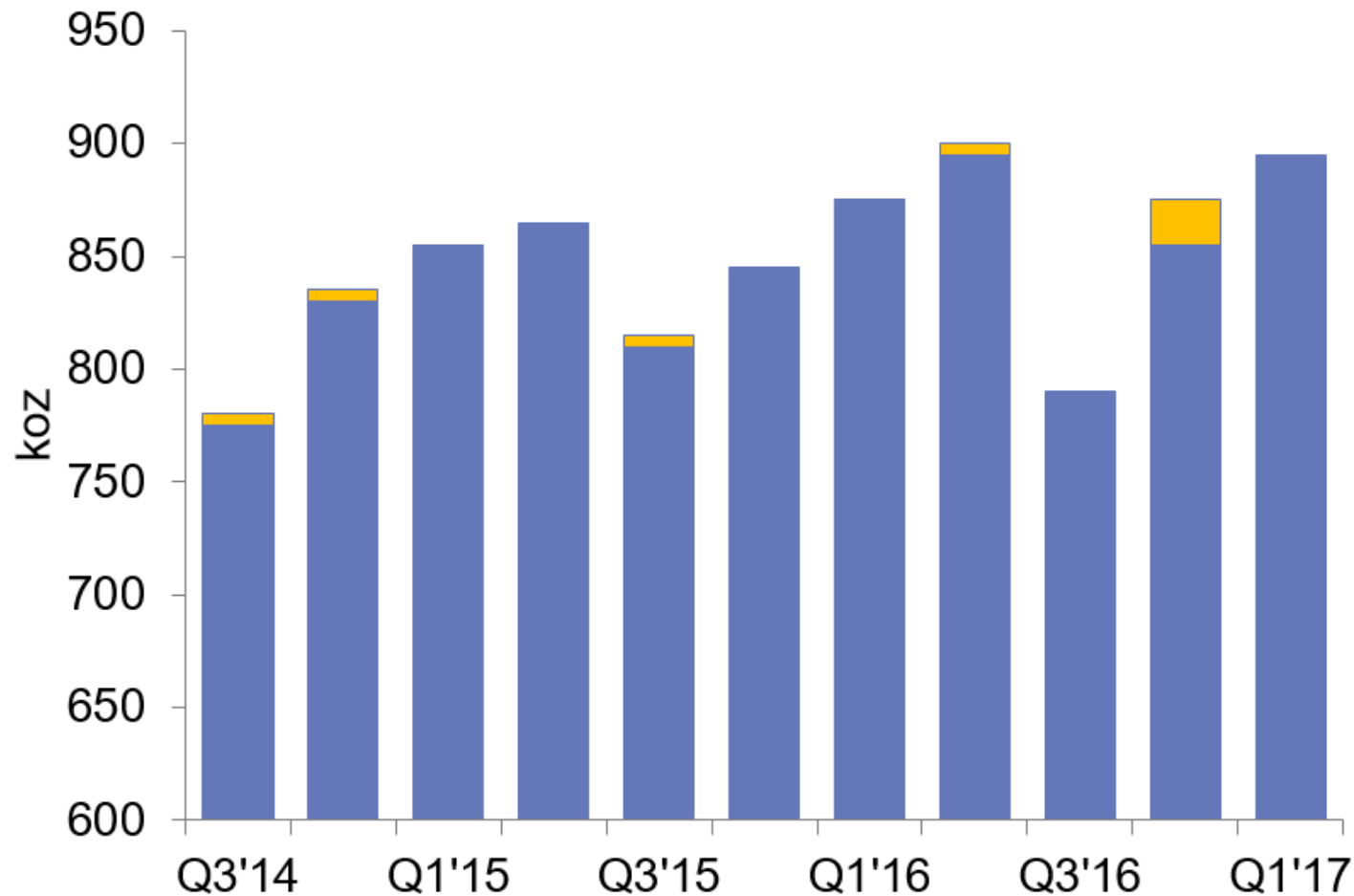
## Total mining supply and refined production



- Pipeline movements reflect tightness
- Lowest total supply in 11 quarters – Q1 seasonally weak
- Zimbabwe returns to normal levels in Q1'17
- Q1'17 similar to Q1'15 as Q1'16 outlier due to refinery outage

# AUTOMOTIVE DEMAND: SURPRISING TO THE UPSIDE AND REVISED HIGHER

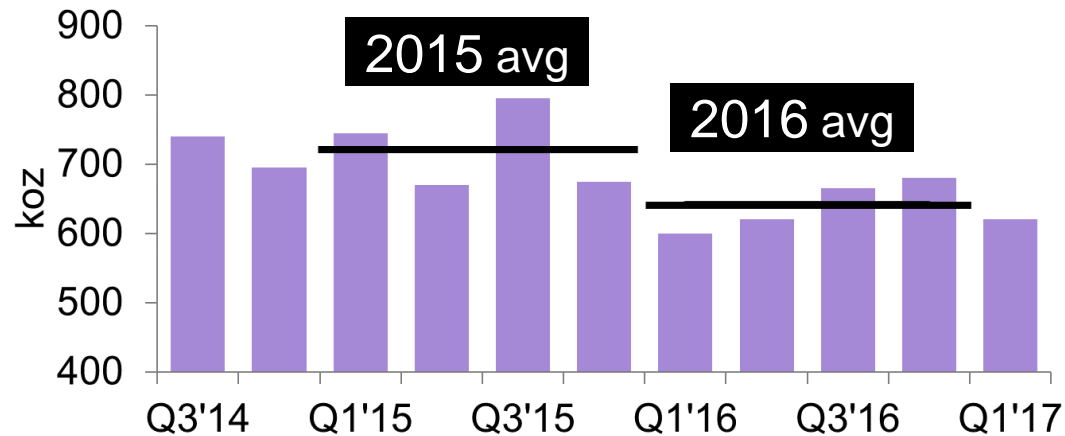
## Automotive demand



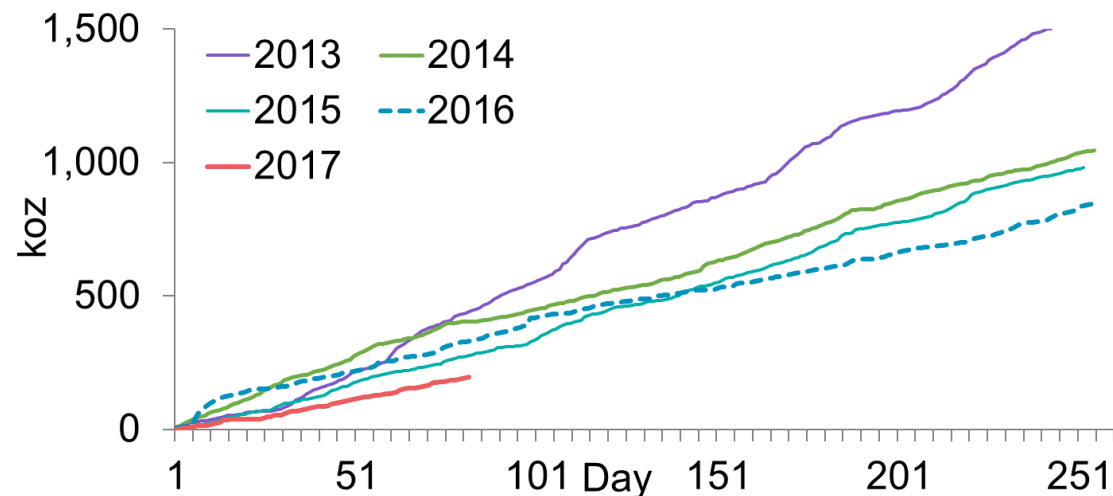
- Q1 Automotive demand was 895 koz. 20 koz higher YoY
- Q2'16 and Q4'16 revised higher by combined 25 koz on back of both stronger sales and higher loadings
- All quarterly revisions were positive to date
- Low NO<sub>x</sub> strategies not yet visible in data

# WEAKNESS IN CHINA JEWELLERY ABATES - INDIA CONTINUES TO GAIN

## Jewellery demand



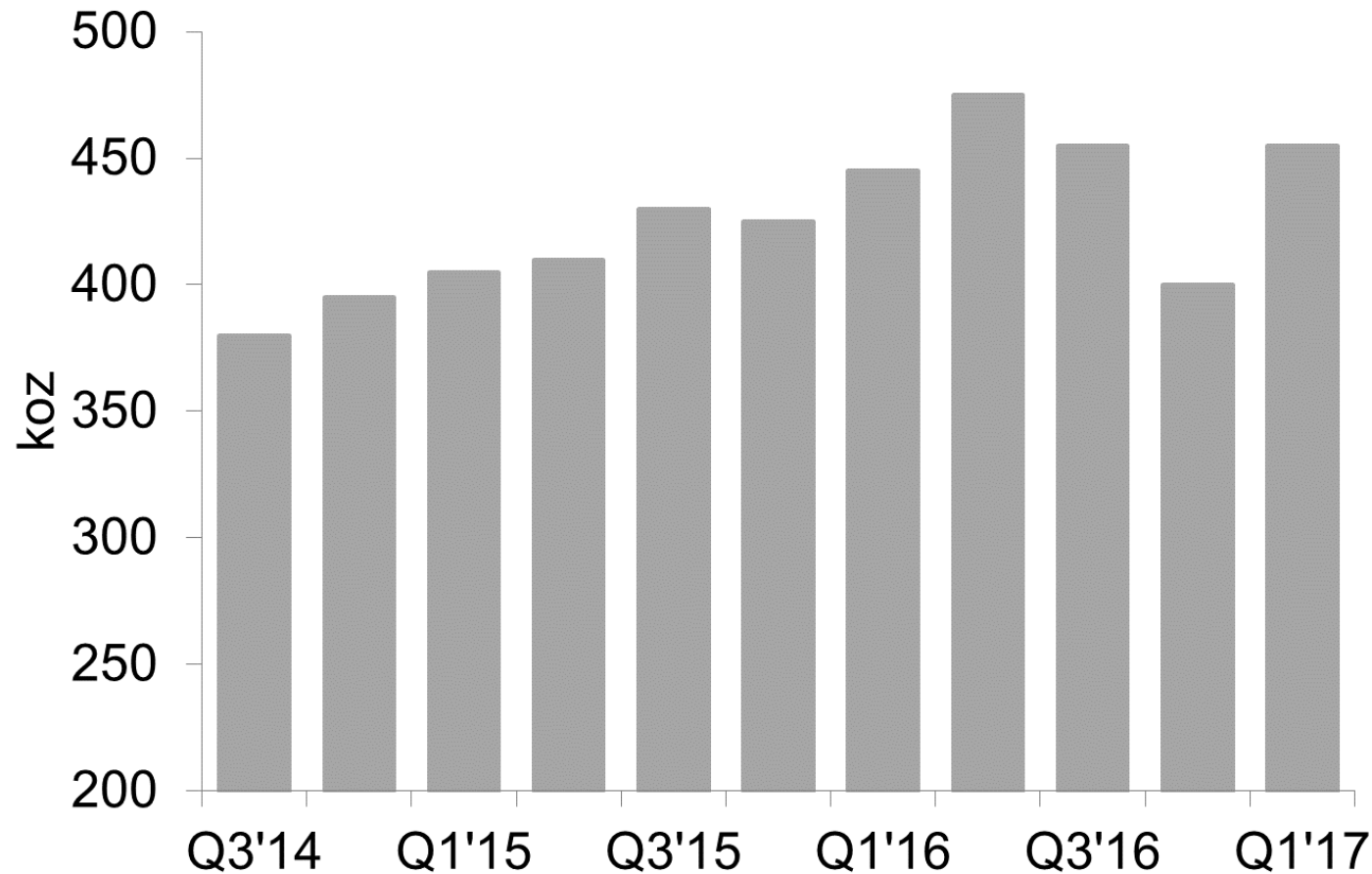
## SGE volume



- Jewellery demand remained weak, despite gaining 20 koz YoY from a weak Q1'16
- 2016 average of 641 koz per quarter – down 80 koz
- Demand in India up 10 koz, maintaining double digit growth
- SGE buying reflects slower stock purchasing by manufacturers

# INDUSTRIAL DEMAND: GROWTH IN LINE WITH GLOBAL GROWTH

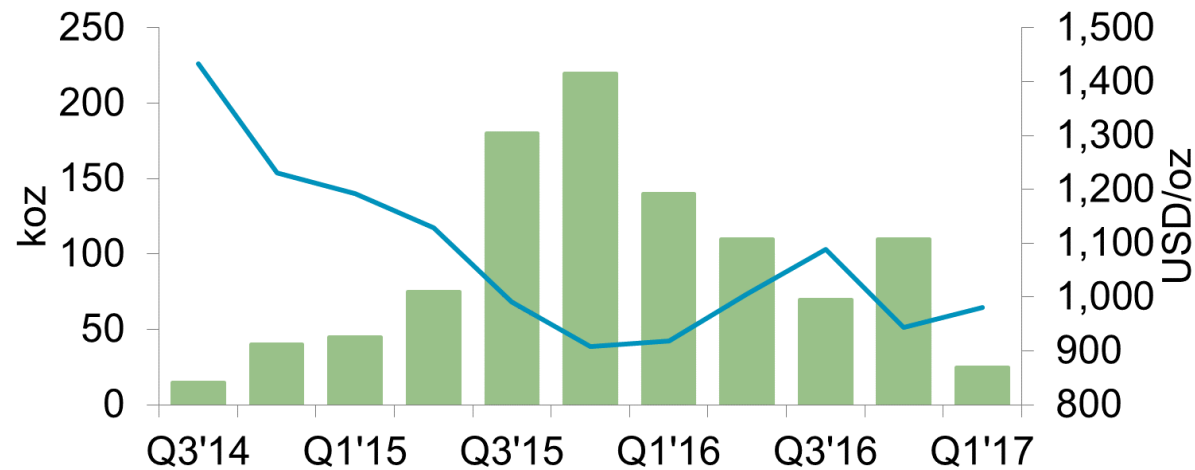
## Industrial demand



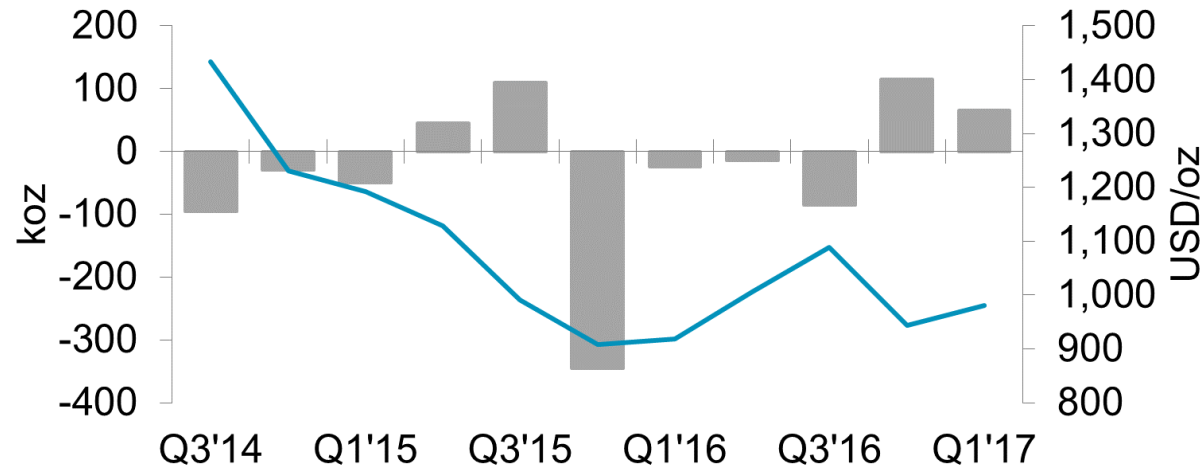
- Industrial demand segment is the most correlated to global growth
- Petroleum plant closures in Q4'16 reduced net demand
- Volatility of industrial demand should not be used as a proxy for platinum use

# RESILIENT PHYSICAL INVESTMENT AND RESURGENT ETF

## Bar and coin demand



## ETF demand

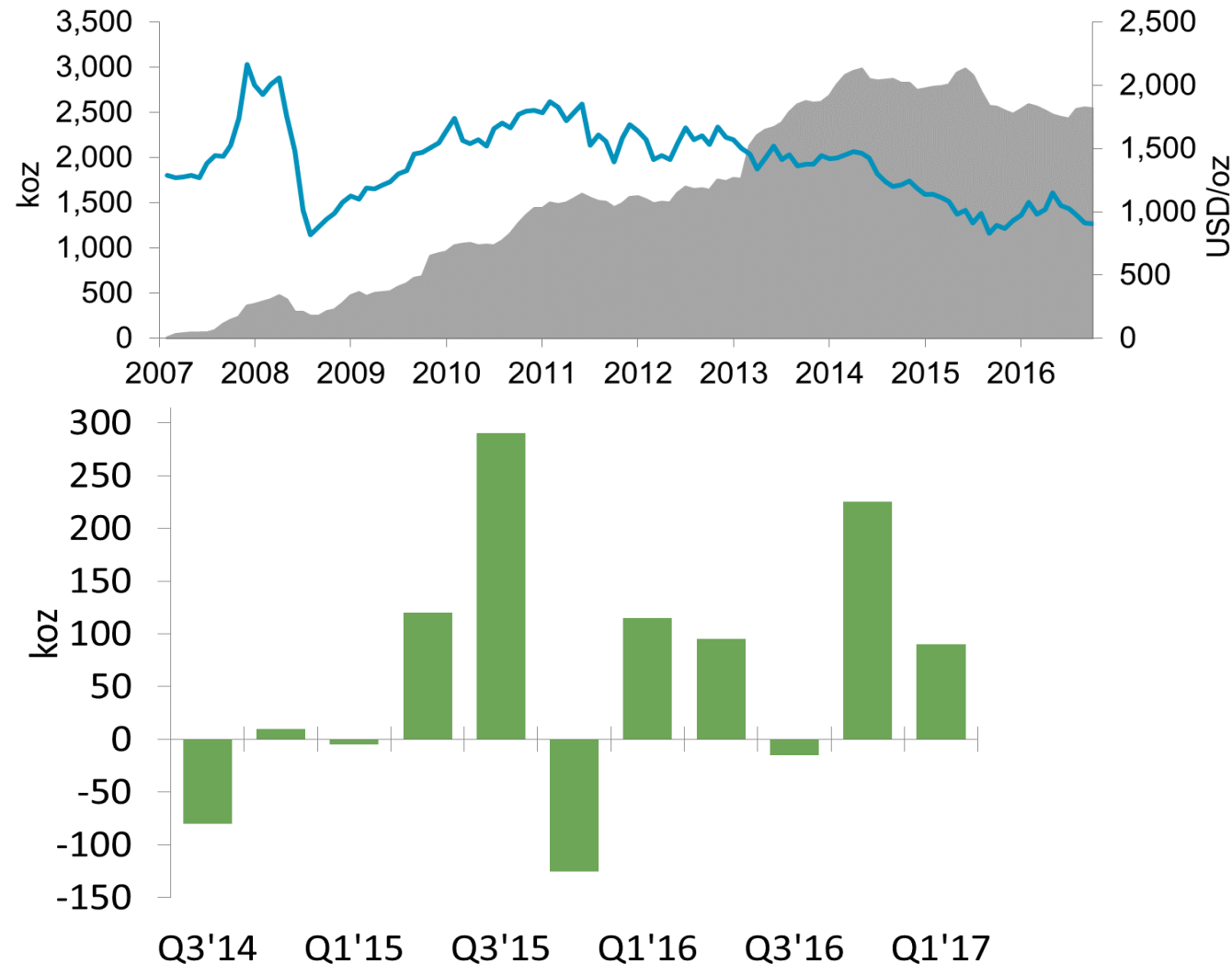


- Bar and coin demand tapered in Q1'17, falling 115 koz YoY
- 7 quarters of exceptional buying
- Regional opportunity for wider marketing
- The US Mint saw its limited issue of 20k Eagle coins sell out within three days
- ETF asset growth continued for second consecutive quarter



# IGNORING PLATINUM INVESTMENT DEMAND - CRAZY

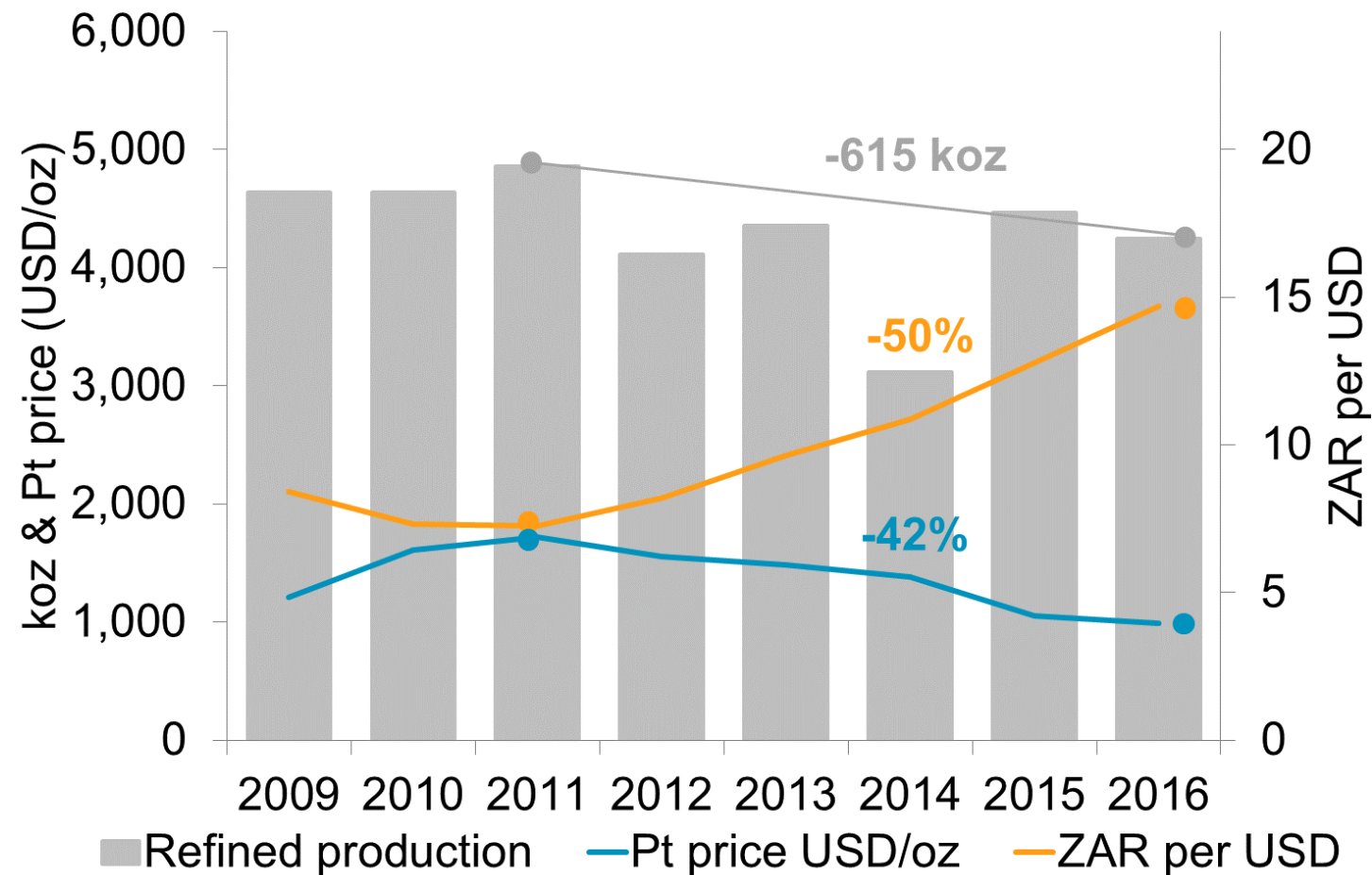
## ETF demand and total investment demand



- Platinum ETFs have grown through the tough times and have not collapsed like gold
- Physically backed ETFs - refined bars are purchased to match AUM
- 4 year average investment demand over 450 koz per annum
- 7 out of 11 quarters net increases

# APPLICATION OF INCENTIVE / BREAK-EVEN PRICING TO PLATINUM IS UNSOUND

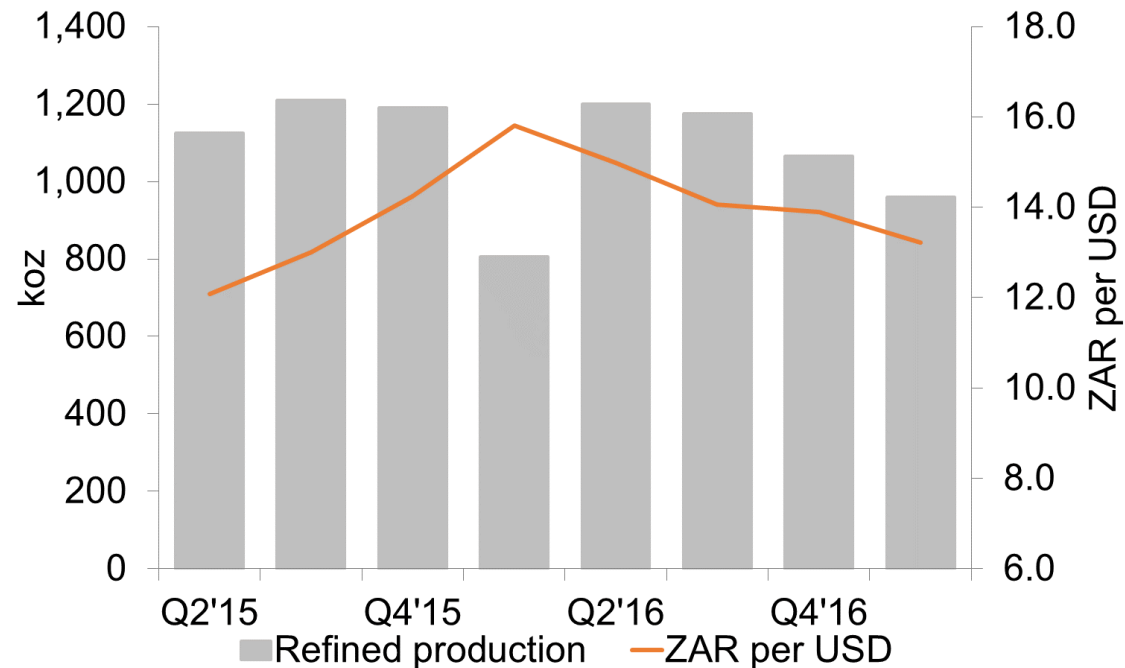
## Refined production, Pt price and ZAR



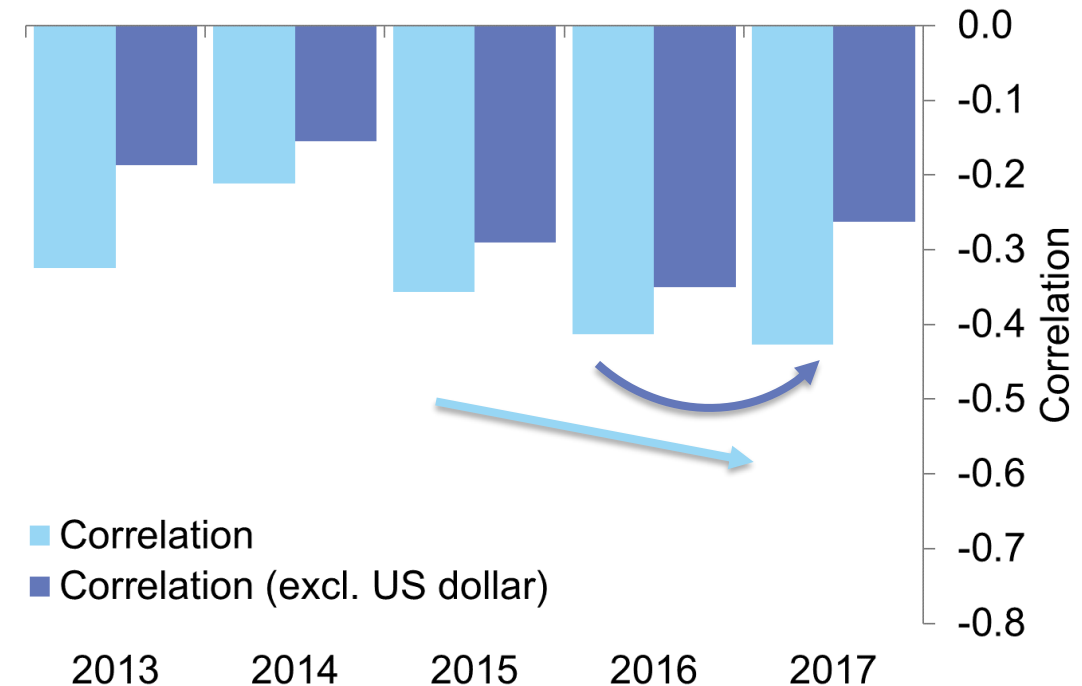
- Since 2011, South African production has fallen by 615 koz, almost 13%
- At the same time the ZAR has depreciated by more than 50% against the US dollar
- Many participants still trade on a perceived link between the ZAR, production and price
- Supply reduction when ZAR strengthened in 2016

# INCENTIVE PRICING BEING QUESTIONED AS IMPACT OF ZAR/\$ CHANGES ON PLATINUM REDUCE

## Refined production and ZAR



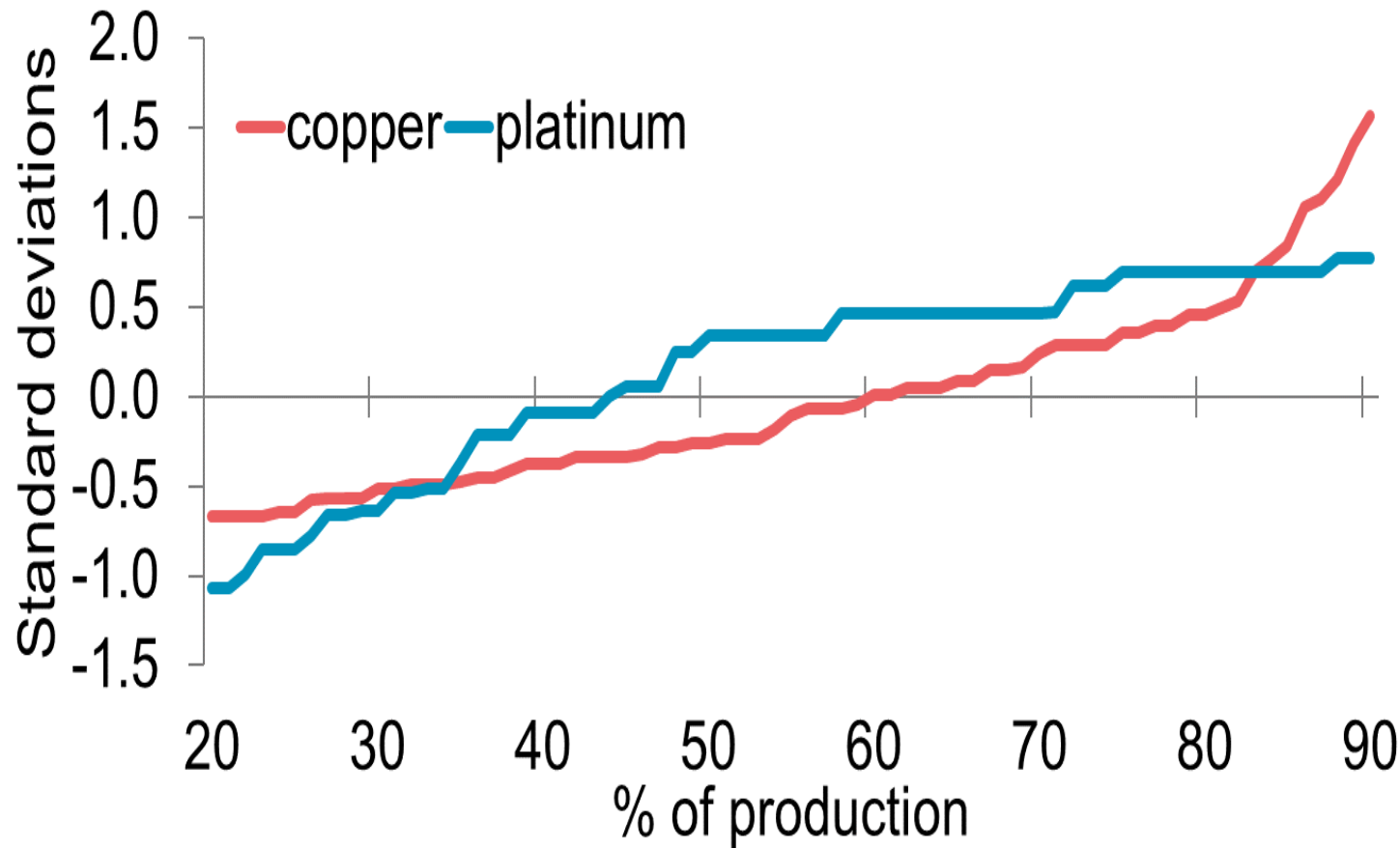
## Pt USD/oz vs ZAR, daily return correlation



- 2014 strike may have misled incentive price trading
- No response in 2015 to ZAR weakness
- Supply reduction when ZAR strengthened in 2016
- The weakening correlation on daily returns suggest that this proxy is being questioned

# INFLUENCE OF DISTRESSED PRODUCER BREAK-EVEN PRICE REDUCED

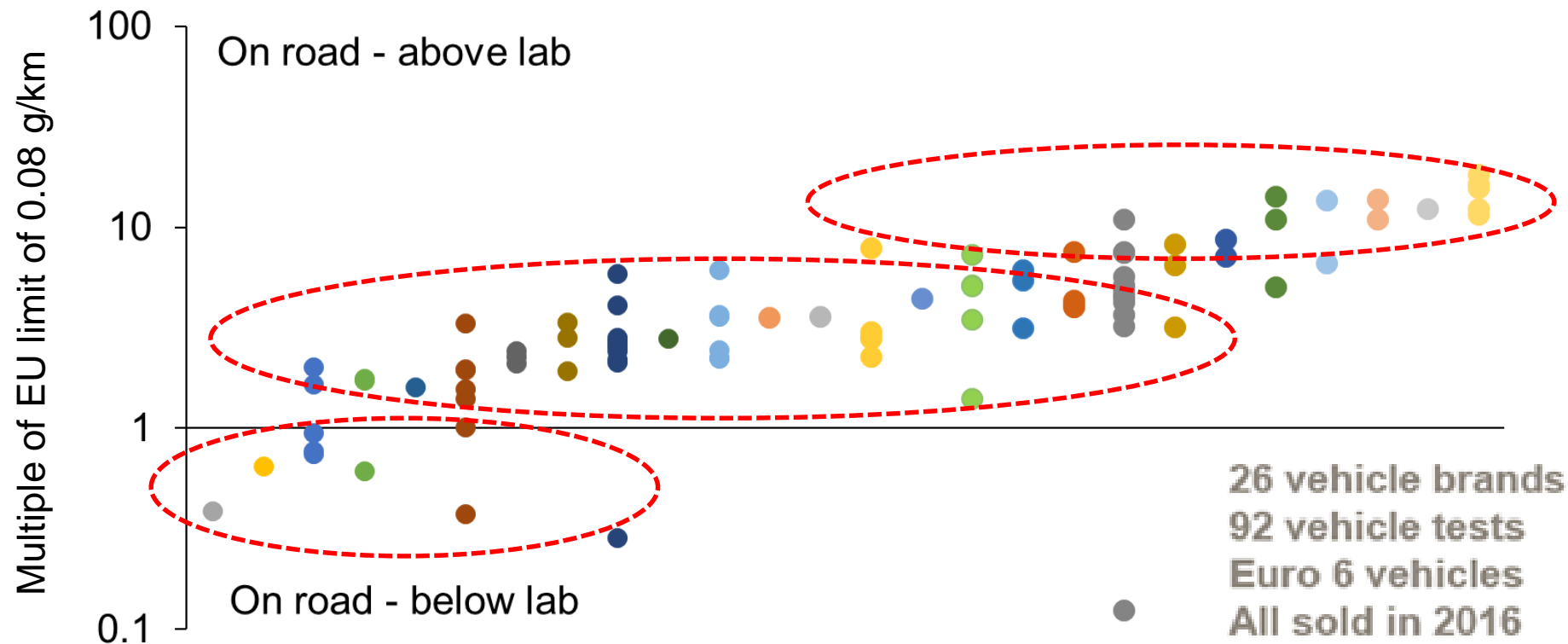
2016 Pt and Cu cost curves



- For many investors, fundamentals have been discounted in favour of proxies
- By inferring producer bankruptcy would reduce supply so breakeven price became a value proxy
- Reduced influence as supply and demand is re-examined

# ACTION BY CITIES TO DRIVE AUTOMAKERS TO LOWER NO<sub>x</sub> – HIGHER PLATINUM

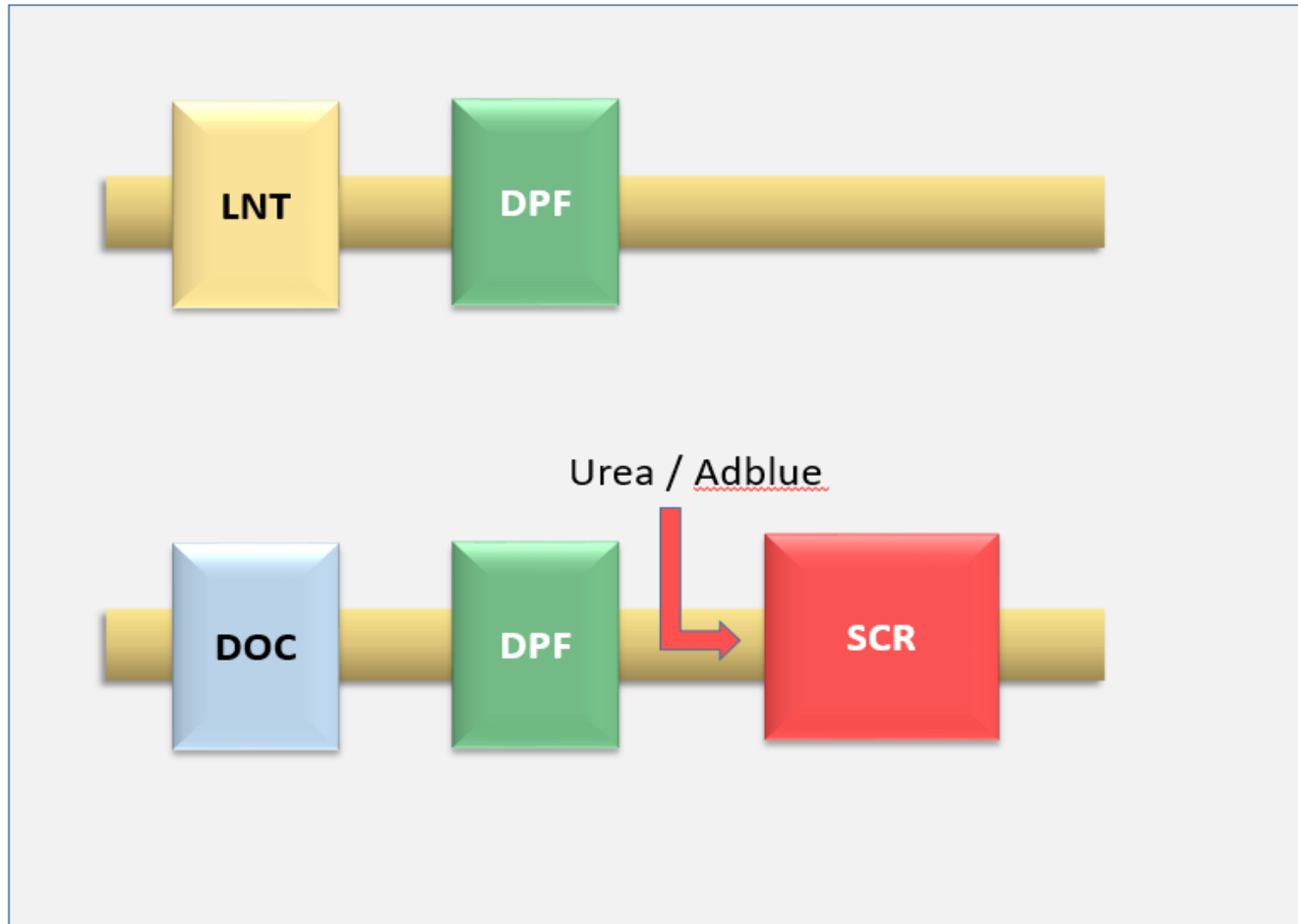
## On-road testing results per auto brand (EQUA) 92 vehicles



- C40 action at city level to drive change in automaker action
- Many cars launched ahead of Sept 2017 RDE test have 'on-road' NO<sub>x</sub> well over 10 times 'lab test'

# AUTOMOTIVE DEMAND GROWTH IS LIKELY – HIGHER LOADINGS ALREADY IN PLACE?

## Diesel car emissions control SCR and NO<sub>x</sub>



LNT: Lean NOx trap

DPF: Diesel particulate filter

DOC: Diesel oxidation catalyst

SCR: Selective catalytic reduction

- Euro 6c RDE starts in September 2017
- Existing car platforms must achieve lower NO<sub>x</sub>
- Increasing Urea (AdBlue) dosing can reduce NO<sub>x</sub> but requires larger DOC with higher platinum loading
- Higher loadings already in place?
- Automakers and fabricators unable to disclose proprietary loadings



## TIGHTER MARKET DRIVING INTEREST IN PLATINUM SUPPLY DEMAND BECOMING MORE RELEVANT

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- Increased engagement with investors pays off
- Data starts to influence sentiment
- Tighter market enhances platinum's investment case
- WPIC Market Development gains traction

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