

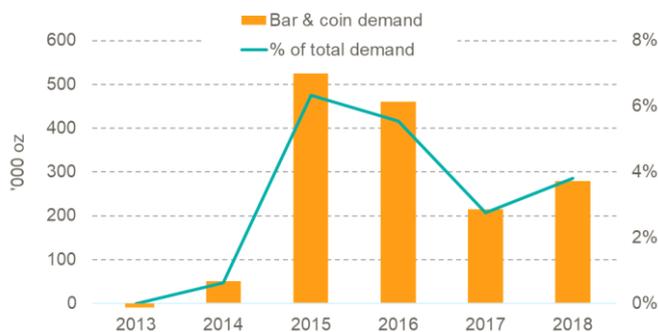
PLATINUM PERSPECTIVES

Steady bar & coin demand underpins rocketing ETFs

Bar & coin and ETF demand are important to the platinum investment case as we look further into 2019. Investment demand, i.e. net growth in investment holdings, is a volatile but important component of total demand, comprising on average 4%, ranging from 11% in 2013 to 0% last year. Given the low current platinum price and the spectacular 2019 year-to-date growth in ETF holdings, it is worth looking at the relative roles of owned and exchanged traded investment in physical platinum. Traditionally, retail investors accessed the market through coins and small bars, but now also use ETFs, fractional ownership of large (good delivery) bars and accumulation plans. Institutional investors use vaulted large bars (dominant prior to the launch of physically backed platinum ETFs in 2007) and ETFs. The 15 listed ETFs across global markets facilitate rapid and liquid growth in platinum investment. At 690 koz, ETF demand for Q1'19 is already 30% higher than our previously published investment demand forecast for 2019.

Bar & coin have been a consistent platinum demand source, averaging almost 300 koz p.a. since 2013. Bar & coin demand, in absolute terms and relative to total demand, is shown below left. Investing in small retail bars and coins incurs a premium for manufacturing costs and they often attract sales tax. Nonetheless, bars & coins remain attractive to many retail investors with long-term portfolios, with the low platinum price and heavy discount to gold supporting strong demand in recent years.

Bar & coin demand volume has been consistently positive, averaging over 4% of total demand



Source: SFA (Oxford), Bloomberg, Johnson Matthey, WPIC Research

Bar & coin act as a stabiliser within investment demand bolstering or offsetting ETF changes



Source: SFA (Oxford), Bloomberg, WPIC Research

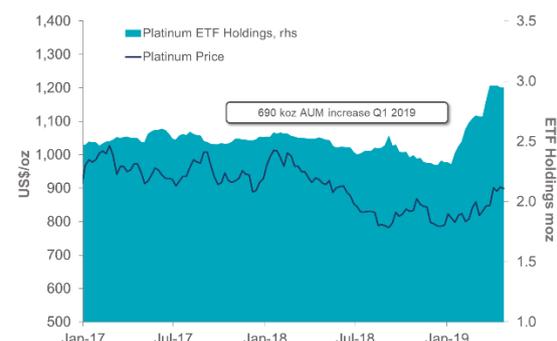
World Platinum Investment Council
www.platinuminvestment.com
 64 St James's Street
 London SW1A 1NF

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Platinum investment can quickly turn an oversupplied market into a tight one. A small change in platinum investment demand can have a relatively significant effect on the platinum market. The platinum surplus for 2018 was 9% of demand, in a year when investment was almost zero. Q1'19 ETF demand alone (shown above right) has already exceeded the 2018 surplus. The rapid growth in ETF holdings in 2019, almost certainly institutional, may well indicate recognition of a combination of positive demand growth signals, most notably the case for platinum's use in gasoline cars, platinum's rising price and the potential for supply disruption.

Globally-recognised producers like the UK's The Royal Mint, the US Mint, the Royal Canadian Mint and China Gold Coin Corporation will produce platinum coins in 2019. While the American Eagle (US), Maple Leaf (Canada), Philharmonic (Austria) and Britannia (UK) might be the best-known platinum coins, there are also sought-after platinum coins minted in Australia, South Africa and China, among others. WPIC works with numerous partners to continue providing new and interesting retail products, steadily increasing demand for these high-quality products.

Strong ETF AUM growth YTD, reaching 3 moz, highest since 2014



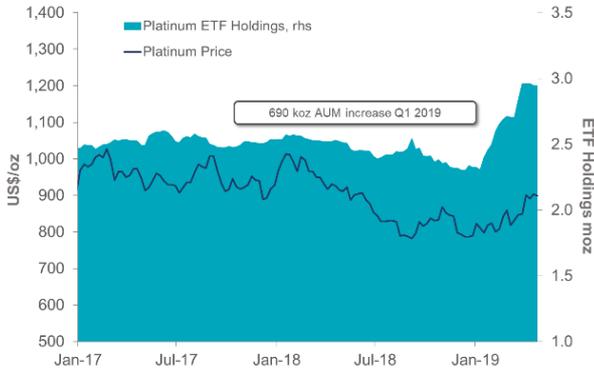
Source: Bloomberg, WPIC Research

Platinum in six charts – April 2019

Platinum's attraction as an investment asset arises from:

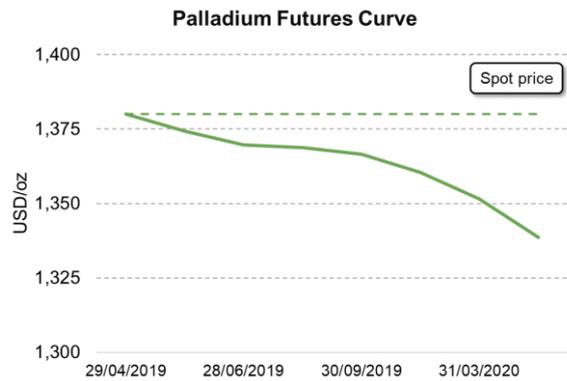
- Supply is relatively constrained with limited investment in new platinum group metal (PGM) mines
- Platinum price is at all-time lows relative to gold and palladium
- Total PGM demand growth should continue on increasingly restrictive emissions rules
- Market balance mismatches between palladium and platinum argues for substitution
- Managed money positioning has significant room to improve

Figure 1: Platinum's ETF holdings increased by 690 koz in Q1, 2019



Source: Bloomberg, WPIC Research

Figure 2: Sustained backwardation in the palladium market highlights the availability challenge, supporting switching



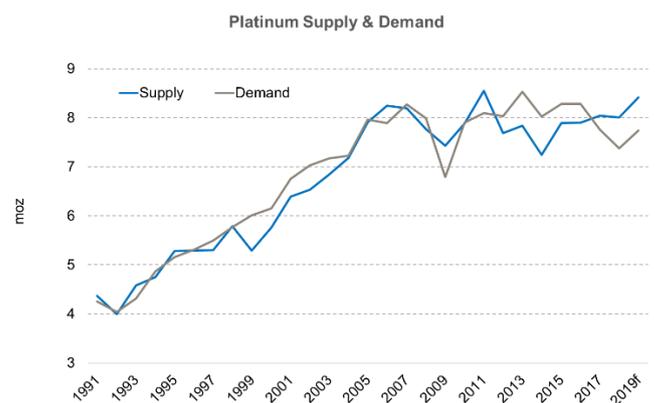
Source: Johnson Matthey, WPIC Research

Figure 3: Palladium's price premium to platinum reflects a tight market and highlights the potential for substitution



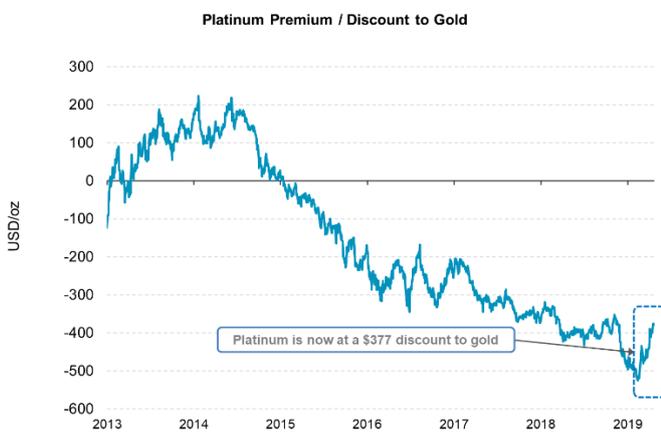
Source: Bloomberg, WPIC Research

Figure 4: The platinum surplus in 2018 was forecast in March to be repeated in 2019; ETFs may alter this



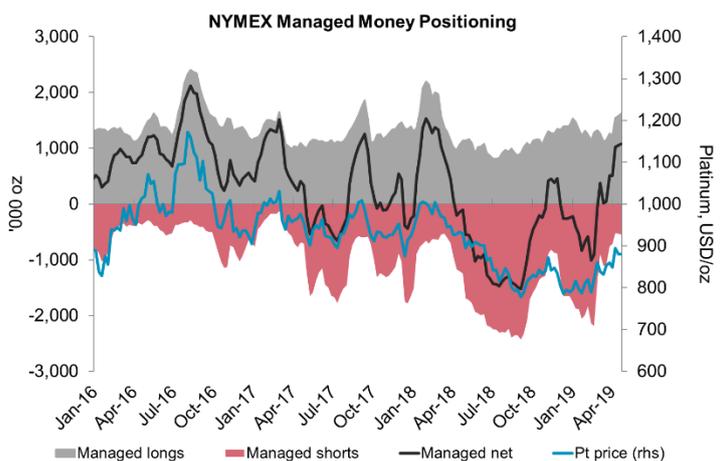
Source: Johnson Matthey, SFA, WPIC Research

Figure 5: Similar to platinum's discount to palladium, the discount to gold has narrowed to \$377/oz



Source: Bloomberg, WPIC Research

Figure 6: NYMEX positioning shows reduced short and growing long positioning in 2019



Source: Bloomberg, WPIC Research

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