

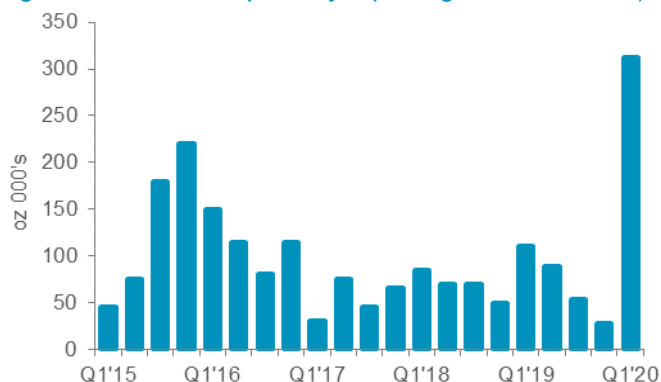
## Unprecedented bar and coin buying in 2020 – on increased global risk – is good for platinum

Demand for platinum bullion investment products surged to record highs in the first quarter of 2020, as retail investors reacted to heightened global risk and the platinum price falling to decade low levels. **Investors bought 312 koz of bars and coins in Q1 2020 – at an annual rate 5 times higher than over the last 40 years.**

Demand could well have been higher during March but for constrained supply. A combination of events severely limited bullion availability: the Anglo American Platinum converter plant outage; COVID-19 related mine and refinery closures; and restrictions on air travel limiting shipments of metal. This, combined with strong metal demand, including high Chinese platinum import demand, pushed up lease rates which in turn increased premiums on bars and coins by as much as 75%. Despite this, mints and bullion retailers have continued to report strong platinum bullion demand in April and May.

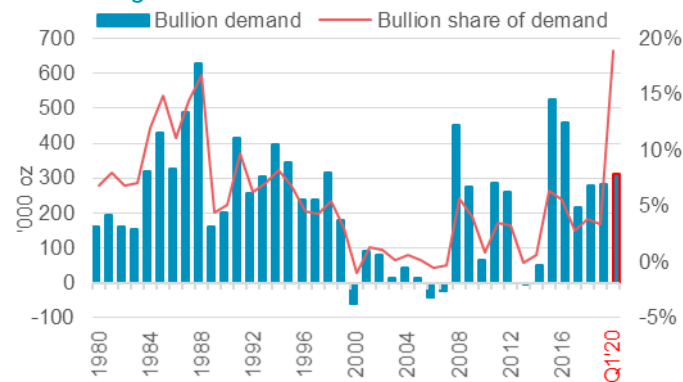
**Bar and coin demand is important to the platinum investment case as a source of demand, but is often overlooked in platinum market analysis. Over the last 40 years, bullion has accounted for, on average, 6% (a peak of 17%) of annual platinum demand. In Q1 2020, the bullion share of quarterly demand was 19%. Importantly, the bar and coin sector has only been a source of metal supply (net disinvestment) in 4 of the past 40 years.**

*Record quarterly bar and coin demand in Q1'20 (the highest since WPIC quarterly reporting started in 2013)*



Source: SFA (Oxford) (to Q4'18), Metals Focus (from Q1'19), WPIC Research

*The rate of Q1'20 bar and coin demand is 5 times higher than average annual demand of 230 koz since 1980*



Source: Johnson Matthey (to 2013), SFA (Oxford) (2013-2018), Metals Focus (from 2019), WPIC Research. Note, demand and market share data for 2020 is for Q1 only

An important question is, with prices rebounding from the mid-March lows, will bullion investors continue to buy metal through 2020? Conventional wisdom is that retail investors stop buying when price rises. However, there are several years where the opposite has occurred, namely 1988, 2008, and 2016, where investors bought 630 koz, 453 koz and 460 koz of platinum bullion as price increased.

Platinum bars and coins (guaranteed 99.95% pure) are an easy way for retail investors to add physical platinum investment to their portfolios. This was aided in 2020 by more lower-margin products introduced in recent years; mainly in regions where platinum bullion enjoys gold's more common exemption from sales tax and VAT.

For 2020, continued macro-uncertainty and related stimulus policies are likely to support investor demand for hard assets such as platinum; also an important diversifier in an investment portfolio.

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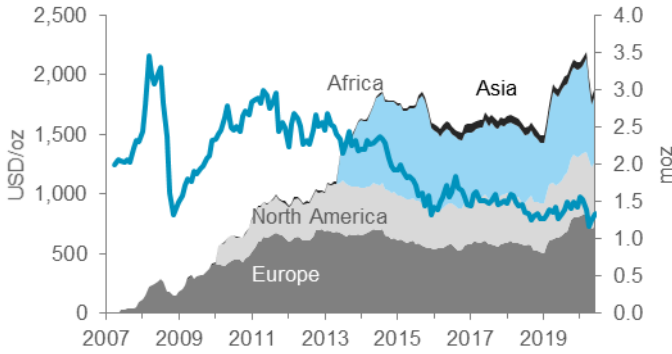
June 2020

***"Bar and coin investment demand is expected to surge by 115% (+324 koz) to 605 koz in 2020.", WPIC PQ Q1 2020, 18th May 2020***

**Platinum's attraction as an investment asset arises from:**

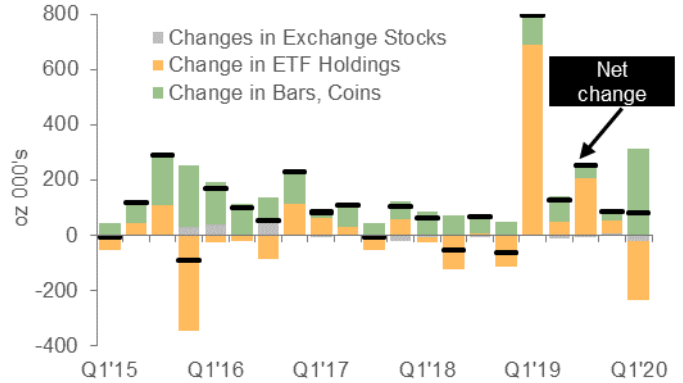
- Supply is relatively constrained with limited investment in new platinum group metal (PGM) mines
- Platinum price is near all-time lows relative to gold and at record lows relative to palladium
- Total PGM demand growth should continue due to increasingly restrictive emissions rules
- Market balance and price mismatches between palladium and platinum argues for substitution
- Investment demand has surged as institutions begin to factor low price and positive fundamental outlook

**Figure 1: ETFs saw 213 koz of divestments in Q1'20, with Q2 holdings up 49 koz**



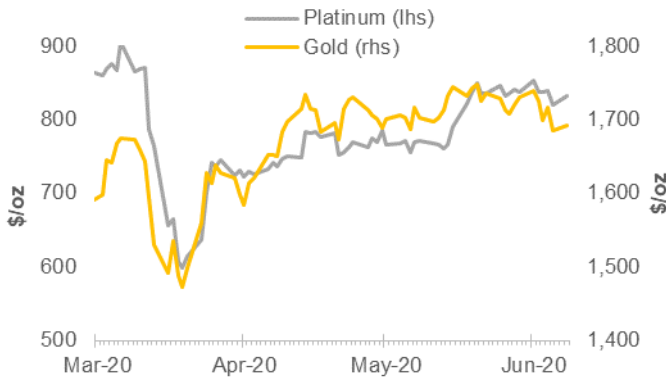
Source: Bloomberg, WPIC Research, as at 5<sup>th</sup> June 2020

**Figure 2: Retail bar and coin investment more than countered Institutional ETF divestment in Q1'20**



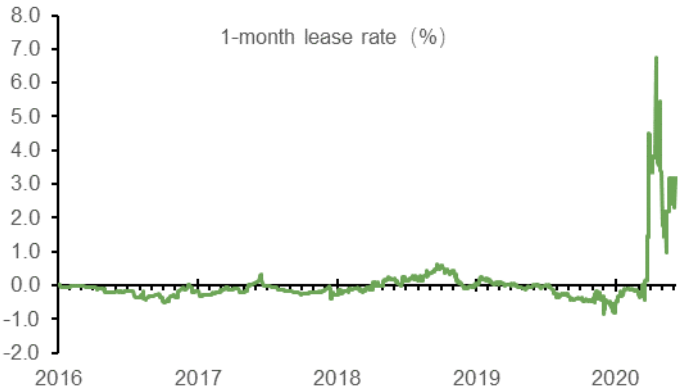
Source: SFA (Oxford) (to Q4'18), Metals Focus (from Q1'19), WPIC Research

**Figure 3: Hard assets are in demand due to the negative fiscal impact of COVID-19. Platinum has correlated closely with gold since mid-March**



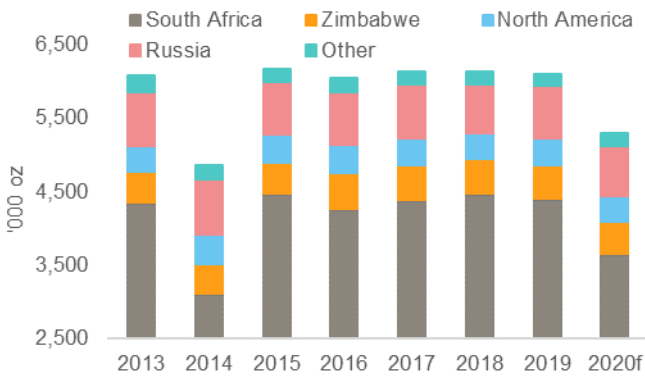
Source: Bloomberg, WPIC Research, as at 8<sup>th</sup> June 2020

**Figure 4: Platinum lease rates have reacted to the current market supply dynamics, and remain elevated and significantly higher than palladium lease rates**



Source: Bloomberg, WPIC research, as at 8<sup>th</sup> June 2020

**Figure 5: Supply in 2020 is forecast to be 810 koz lower than 2019 on the impact of Anglo's ACP converter outage plus COVID-19 related shutdowns**



Source: SFA (Oxford) (to 2018), Metals Focus (from 2019), WPIC Research

**Figure 6: China Jan-Apr 2020 imports up 42% YoY at 1.06 moz, the highest Jan-Apr volumes since 2011**



Source: China Customs, WPIC Research

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