

6 August 2021

The Manager  
ASX Market Announcements  
Australian Securities Exchange Limited  
Sydney NSW 2000

### Monthly Net Tangible Asset Update

The unaudited **pre-tax** net tangible asset (**pre-tax NTA**) backing per share of Platinum Capital Limited (**PMC**) as at 31 July 2021 was \$1.6551 per share (as at 30 June 2021 it was \$1.6773).

The unaudited **post-tax** net tangible asset (**post-tax NTA**) backing per share of PMC as at 31 July 2021 was \$1.5869 per share (as at 30 June 2021 it was \$1.5962).

The NTA was calculated in accordance with Australian Accounting Standards using the last sale price to value investments. Investments were stated at market value and for the post-tax NTA, after provision for tax on **both** realised and unrealised income and gains.

At 30 July 2021, the PMC share price was \$1.50.

The 31 July 2021 monthly update for PMC is attached to this announcement. For more information in relation to PMC please refer to the website at:

[www.platinum.com.au/Our-Products/All-Products/Platinum-Capital-Limited](http://www.platinum.com.au/Our-Products/All-Products/Platinum-Capital-Limited)

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MONTHLY REPORT 31 July 2021

## FACTS

Portfolio value	\$483.42 mn
Portfolio commenced	29 June 1994
Current share price	\$1.500
Current dividend yield	4.00%
Pre-tax NTA	\$1.6551
Post-tax NTA	\$1.5869
Maximum franked dividend	8.47 cps
NTA retained earnings & div profit resv.	25.17 cps

## PERFORMANCE<sup>1</sup>

	Company % (Pre-tax NTA)	MSCI %
1 month	(0.8)	2.8
3 months	0.3	8.9
6 months	8.6	18.6
Calendar year to date	8.9	18.7
1 year	24.0	29.9
2 years (compound pa)	7.8	15.7
3 years (compound pa)	5.8	14.1
5 years (compound pa)	9.8	14.6
7 years (compound pa)	8.5	13.8
10 years (compound pa)	11.0	14.7
Since inception (compound pa)	11.7	7.8

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<sup>3</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	43.9	(0.6)	43.3	44.4
Australia	3.7	(0.1)	3.6	3.8
China	16.5		16.5	16.5
Hong Kong	2.5		2.5	2.4
India	2.2		2.2	2.2
Japan	13.7	(0.5)	13.2	14.2
South Korea	5.2		5.2	5.1
Thailand	0.1		0.1	0.1
<b>Europe</b>	21.8	(0.2)	21.6	21.8
Austria	1.6		1.6	
Belgium	0.1		0.1	
Denmark	0.5		0.5	0.5
Finland	2.7		2.7	
France	3.5		3.5	
Germany	4.0		4.0	
Hungary	0.1		0.1	0.1
Ireland	1.4		1.4	
Italy	1.7		1.7	
Norway	0.4		0.4	0.4
Spain	1.2		1.2	
Sweden	0.1		0.1	0.1
United Kingdom	4.6	(0.2)	4.4	4.6
Euro				16.2
<b>North America</b>	21.9	(3.9)	18.1	32.1
Canada	3.5		3.5	6.6
United States of America	18.4	(3.9)	14.6	25.5
<b>Other</b>	1.7		1.7	1.7
<b>Sub-Total</b>	89.3	(4.6)	84.7	100.0
<b>Cash</b>	10.7	4.6	15.3	
<b>Total</b>	100.0		100.0	100.0

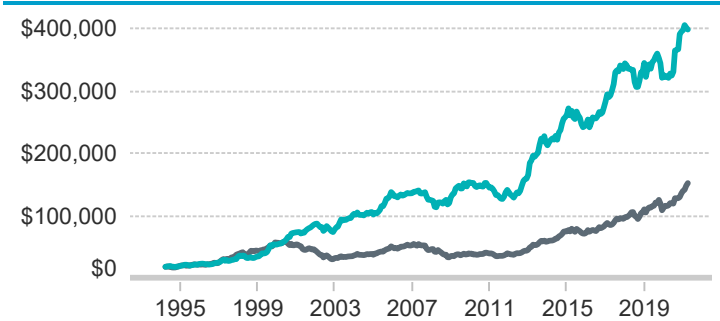
Long - 122 stocks, 2 swaps Short - 18 swaps

## FEES

Management fee:	1.10% p.a. (excl. GST) of portfolio value* plus
Performance fee:	15.00% p.a. (excl. GST) of outperformance over benchmark (MSCI All Country World Net Index (A\$))

\*The portfolio value is the market value of the investments in the portfolio after the deduction of fees and expenses, adjusted for taxes, corporate actions and dividends.

## PERFORMANCE GRAPH<sup>2</sup>



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.

## TOP TEN POSITIONS<sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
Glencore PLC	Australia	Materials	3.3
Samsung Electronics Co	South Korea	Info Technology	3.1
Minebea Co Ltd	Japan	Industrials	2.9
ZTO Express Cayman Inc	China	Industrials	2.9
UPM-Kymmene OYJ	Finland	Materials	2.7
Microchip Technology Inc	United States	Info Technology	2.6
Weichai Power Co Ltd	China	Industrials	2.6
Micron Technology Inc	United States	Info Technology	2.5
AIA Group Ltd	Hong Kong	Financials	2.4
China Overseas Land & Inv	China	Real Estate	2.2
<b>Total</b>			27.3

## INDUSTRY BREAKDOWN<sup>3</sup>

SECTOR	LONG %	SHORT %	NET %
Industrials	20.2		20.2
Materials	15.6	(0.2)	15.4
Financials	15.3		15.3
Information Technology	13.9	(0.8)	13.1
Consumer Discretionary	10.2	(2.0)	8.2
Health Care	6.3		6.3
Real Estate	3.3		3.3
Communication Services	3.2		3.2
Consumer Staples	0.9	(0.4)	0.5
Energy	0.3		0.3
Other		(1.3)	(1.3)

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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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## MARKET UPDATE AND COMMENTARY

- The last 12 months' return ranks amongst the strongest 12-month periods in the Company's long history.
- Cyclical stocks dominate the portfolio and have been a significant positive driver of returns over the last 12-month period.
- In recent months, the market has behaved more in line with previous episodes of uncertainty, with investors chasing 'defensives'.
- The portfolio's positioning means it should benefit from a shift in the market's view that inflation is indeed apparent.
- Recent concerns over China are not new and reflect commonly held biases.

### Market Commentary

The Quarterly Report, which provided deep insights around performance, portfolio positioning, commentary and our outlook, was released on our website on 19 July ([https://www.platinum.com.au/PlatinumSite/media/Reports/pclqtr\\_0621.pdf](https://www.platinum.com.au/PlatinumSite/media/Reports/pclqtr_0621.pdf)).

Three broad issues are key at this time and are as follows:

- Concerns about China, primarily due to policy initiatives, impacted stocks in that market in July. We released a statement on this on 29 July (which can be found here: <https://www.platinum.com.au/Insights-Tools/The-Journal/China-Time-to-Run-or-Time-to-be-Bold>), along with a short [video](#) on the longer-term opportunity, which paraphrases a recent major piece on this topic. In summary, our view is that while China may be a challenging environment for investors, this will likely prove to be an opportunity to buy good-quality companies relatively cheaply.
- Inflation was covered at length in the Macro Overview in the abovementioned Quarterly Report. It has been observable that the portfolio is positioned in such a way that it is likely to initially benefit from rising bond yields. Further evidence of the strength of inflation came at the end of July, with the Personal Consumption Expenditure (PCE) deflator registering its highest reading in the US since 1983, rising at an annual rate of 6.1% measured quarter-on-quarter, excluding energy and food (Source: Federal Reserve Bank of St Louis). The PCE is an alternate measure of inflation, using surveys of business sales rather than consumer purchases and employing a chain-type methodology, which adjusts for different weightings of goods purchased, rather than assuming a constant basket of consumer purchases as is the case with consumer price index (CPI).
- We have long highlighted the gap between 'cyclical' stocks and 'defensive' stocks, with the portfolio skewed to the former. We provided details on this concept in an article in March, which contained a long-term valuation chart (see: <https://www.platinum.com.au/Insights-Tools/The-Journal/Are-Cyclicals-the-New-Defensives>). This gap remains in place today, with both cyclicals and defensives about 5-7% more expensive than they were on this basis, in late February. We maintain that it is important to stay away from overpriced stocks that many perceive to be safe. While, this can lead to an occasional sense of missing out, it is prudent risk management.

### Performance Analysis\*

The last 12 months ranks amongst the strongest 12-month periods in the Company's long history, with a return of 24% (net of fees). This has been aided by strong markets, with the portfolio's cyclical\*\* exposures at the heart of this. Cyclical stocks added 25% in contribution terms and dominated the top 10 stocks, which as a group, had a 15% impact. This top performers' list includes: resource companies – Glencore, First Quantum Minerals and Freeport-McMoRan; semiconductor makers - Samsung Electronics and Micron Technology (perceived as a cyclical albeit officially classed as technology); and an eclectic mix - General Electric, Ally Financial, LG Chem (who make batteries for electric vehicles), BMW and Japanese industrial MinebeaMitsumi.

### Valuation

Aggregate valuation data is a useful gauge for a portfolio's attractiveness. There appears to be value in an absolute and relative sense, with the portfolio offering a starting earnings yield 45% higher than the market and appearing 41% cheaper relative to the assets backing it.

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.1% (Price-to-Earnings ratio of 12x)	5.6% (Price-to-Earnings ratio of 18x)
NTM Dividend Yield	2.7%	2.5%
Price-to-Book Ratio	1.7x	2.9x
Enterprise Value-to-Sales	1.4x	2.2x

The valuations in the table in respect of the portfolio have been calculated by Platinum and refer to its long portion, exclude negative net earnings, and use FactSet consensus earnings. As at 31 July 2021.

Source\*: Platinum. Contribution numbers are based on the total return of individual positions (in AUD) and are gross as they do not take into account the Company's fees and costs (other than brokerage). Past performance is not a reliable indicator of future returns.

Source\*\*. Cyclical includes: Industrials, materials, energy, real estate, financials and consumer discretionary – these make up 65% of the average portfolio weight over the last year on the long side; Technology includes: IT and communication services, and was 18% average weight over the same period.