

5 November 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 October 2021 was \$1.5418 per share (as at 30 September 2021 it was \$1.6206).

The unaudited **post-tax** net tangible asset (**post-tax NTA**) backing per share of PMC as at 31 October 2021 was \$1.4994 per share (as at 30 September 2021 it was \$1.5527).

The pre-tax NTA was calculated in accordance with Australian Accounting Standards, based on the fair value of all investments. The post-tax NTA is the pre-tax NTA after provision for tax on **both** realised and unrealised income and gains.

At 29 October 2021, the PMC share price was \$1.41.

The 31 October 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

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FACTS

Portfolio value	\$451.99 mn
Portfolio commenced	29 June 1994
Current share price	\$1.410
Current dividend yield	4.96%
Pre-tax NTA	\$1.5418
Post-tax NTA	\$1.4994
Maximum franked dividend	3.69 cps
NTA retained earnings & div profit resv.	16.38 cps

PERFORMANCE¹

	Company % (Pre-tax NTA)	MSCI %
1 month	(4.7)	1.1
3 months	(4.3)	1.1
6 months	(4.0)	10.0
Calendar year to date	4.2	20.0
1 year	15.2	28.3
2 years (compound pa)	4.5	14.9
3 years (compound pa)	6.6	15.2
5 years (compound pa)	8.2	15.0
7 years (compound pa)	8.0	13.1
10 years (compound pa)	11.2	15.2
Since inception (compound pa)	11.4	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 POSITIONS³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	46.0		46.0	42.8
Australia	3.7		3.7	3.8
China	19.4		19.4	19.4
Hong Kong	2.1		2.1	2.2
India	2.0		2.0	1.9
Japan	13.5		13.5	10.1
Kazakhstan	0.3		0.3	0.3
South Korea	4.9		4.9	4.9
Thailand	0.2		0.2	0.2
Europe	21.7	(1.5)	20.2	23.3
Austria	1.9		1.9	
Denmark	0.5		0.5	0.5
Finland	2.3		2.3	
France	3.5		3.5	
Germany	4.3	(1.5)	2.8	
Hungary	0.1		0.1	0.1
Ireland	1.1		1.1	
Italy	1.5		1.5	
Netherlands	0.1		0.1	
Norway	0.4		0.4	0.4
Spain	0.8		0.8	
United Kingdom	5.1		5.1	5.3
Euro				16.9
North America	20.4	(18.7)	1.7	31.4
Canada	3.1		3.1	6.4
United States of America	17.3	(18.7)	(1.4)	25.0
Other	2.4		2.4	2.4
Sub-Total	90.5	(20.2)	70.3	100.0
Cash	9.5	20.2	29.7	
Total	100.0		100.0	100.0

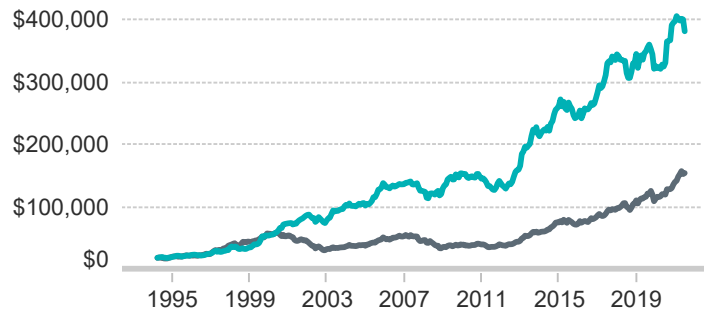
Long - 124 stocks, 2 swaps Short - 15 swaps, 4 indices

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 GRAPH²



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 POSITIONS⁴

STOCK	COUNTRY	INDUSTRY	%
Glencore PLC	Australia	Materials	3.2
Minebea Co Ltd	Japan	Industrials	3.1
ZTO Express Cayman Inc	China	Industrials	3.0
Microchip Technology Inc	United States	Info Technology	2.8
Samsung Electronics Co	South Korea	Info Technology	2.8
Tencent Holdings Ltd	China	Comm Services	2.7
Ping An Insurance Group	China	Financials	2.4
Weichai Power Co Ltd	China	Industrials	2.3
Micron Technology Inc	United States	Info Technology	2.3
UPM-Kymmene OYJ	Finland	Materials	2.3
Total			26.8

INDUSTRY BREAKDOWN³

SECTOR	LONG %	SHORT %	NET %
Industrials	19.3	(0.2)	19.2
Materials	15.0		15.0
Financials	15.0		15.0
Consumer Discretionary	12.6	(1.3)	11.3
Information Technology	12.6	(3.8)	8.7
Health Care	5.9		5.9
Communication Services	5.4	(0.1)	5.3
Real Estate	3.0		3.0
Consumer Staples	1.1	(0.1)	0.9
Energy	0.7		0.7
Other		(14.8)	(14.8)

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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 "Long %" is the exposure to long securities and long securities/index derivative positions, the "Short %" is the exposure to short securities and short securities/index derivative positions and the "Net %" is the exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of PMC's portfolio value. The "Currency %" is the effective currency exposure of PMC's portfolio as a percentage of its portfolio value, taking into account long and short securities, cash, forwards and long and short securities/index derivative positions. 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".

3. and 4. Country classifications for securities reflect Bloomberg's "country of risk" designations, and currency classifications for securities reflect the relevant local currencies of our country classifications.

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

- October was a very challenging month for the portfolio, but one-year returns remain above the long-term average.
- Divergences in markets are extreme, providing great opportunities for patient investors.
- Looking in detail at the opportunity cost in markets in recent months shows consistency with our philosophy and approach.

Market Commentary

The portfolio has suffered in recent months from a resumption of divergences that we are quite deliberately on the other side of. Our large exposure to China and semiconductors is based on fundamentals and have been lucrative since we entered them in a meaningful way in 2014 and 2018 respectively. On the other hand, market darlings, such as the so-called FANMAG* group, and at the extreme, the more speculative elements, such as Tesla, have raced back into vogue. While there is a sense that inflationary pressures are building, a consensus that this is transient has not been helpful, with our view that the odds favour owning companies positioned for a more prolonged period of price rises. These are a more economically sensitive group, while the market has tended to favour the opposite since March.

The 2021 United Nations Climate Change Conference (COP26) in Glasgow has grabbed recent headlines. Our exposure to 'carbon transition' has evolved into the largest theme in the portfolio. Bringing together ideas around electrification of vehicles, materials essential to this transition, such as copper, and companies driving industrial efficiency, collectively equate to well over 20% of the long book.

Performance Analysis**

We have written at length about recent setbacks resulting from reform efforts in China and their impact on market sentiment (particularly in targeted sectors), and hesitancy by Western investors. To provide context, we meaningfully increased our exposure to China in 2014, near the bottom of its bear market, and our average return over the seven years to February 2021 was over 150% on the capital invested there. Since February 2021, Chinese stocks have cost the portfolio 3.6% in returns. In recent months, we re-entered Alibaba and Tencent at attractive levels, having exited in late 2020 and early 2021 respectively, as they became too popular. Our major Chinese holdings include China Overseas Land & Investment (real estate), Ping An Insurance, Trip.com (travel), Weichai Power (engine maker) and ZTO Express (logistics). These seven companies have an average P/E of 9x.***

During the trade war we made significant investments in semiconductors, which are the chips and memory at the heart of all the exciting growth stories out there today. From the end of 2018, when the trade war presented this opportunity, to February 2021, returns from our stocks in this area averaged around 100%. We were trimming some of these positions after a strong run, but exposure to this sector has cost the portfolio around 1% since then. Our three largest positions, Samsung, Micron and Microchip have an average P/E of 11x.***

A challenge here has been opportunity cost with high-profile companies like FANMAGs and Tesla, and many more speculative, loss-making businesses developing into what we have described as a speculative mania. These seven companies now have a combined market value of US\$11 trillion and trade on an average P/E of 37x.*** For context, these seven companies are collectively valued more highly than any country's market outside of the US itself (Source: FactSet).

A key feature of our approach is an attempt to avoid permanent impairment of capital, and as per the point above, there is a high degree of speculation present in markets. With market indices up strongly in recent months, we have felt compelled to adopt a prudent approach, seeking to reduce risk, recognising the opportunity cost of doing so. The net exposure has averaged 78% over this period and while this is above our long-term average, it leads to a poor comparison with indices. Our goal, however, is clear: to generate returns from investing in undervalued securities. As markets have moved higher, risks are elevated and we have further reduced our net exposure to 70%. This is deliberate and will continue to be a drag on relative performance if markets keep rising.

It is also worth noting that the major addition to the portfolio in 2020 was around 10% in travel-related stocks, ravaged by lockdowns. Average returns on this group of stocks, led by General Electric, Booking.com, Ryanair and Amadeus have been around 50% to 31 October 2021.

Valuation

The portfolio's aggregate valuation metrics, for what it's worth, are attractive in an absolute sense and relative to the market, with a 51% higher starting earnings yield and a 44% discount on an asset basis (see table below).

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.3% (Price-to-Earnings ratio of 12x)	5.5% (Price-to-Earnings ratio of 18x)
NTM Dividend Yield	2.8%	2.4%
Price-to-Book Ratio	1.5x	2.7x
Enterprise Value-to-Sales	1.3x	2.0x

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 October 2021.

*FANMAG stands for Facebook (now Meta Platforms), Apple, Netflix, Microsoft, Amazon and Google (now Alphabet)

**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 : FactSet, using consensus earnings for NTM (Next Twelve Months) and taking the harmonic mean, which is the right way to calculate this.