

7 December 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 30 November 2021 was \$1.6115 per share (as at 31 October 2021 it was \$1.5418).

The unaudited **post-tax** net tangible asset (**post-tax NTA**) backing per share of PMC as at 30 November 2021 was \$1.5543 per share (as at 31 October 2021 it was \$1.4994).

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 30 November 2021, the PMC share price was \$1.46.

The 30 November 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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## FACTS

Portfolio value	\$472.72 mn
Portfolio commenced	29 June 1994
Current share price	\$1.460
Current dividend yield	4.79%
Pre-tax NTA	\$1.6115
Post-tax NTA	\$1.5543
Maximum franked dividend	4.77 cps
NTA retained earnings & div profit resv.	21.86 cps

## PERFORMANCE<sup>1</sup>

	Company % (Pre-tax NTA)	MSCI %
1 month	5.1	3.4
3 months	(0.2)	1.4
6 months	(1.2)	12.3
Calendar year to date	9.5	24.0
1 year	9.8	23.9
2 years (compound pa)	6.2	14.4
3 years (compound pa)	9.3	17.1
5 years (compound pa)	9.0	14.9
7 years (compound pa)	8.0	12.9
10 years (compound pa)	12.0	15.6
Since inception (compound pa)	11.6	7.9

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>	44.8		44.8	41.3
Australia	3.1		3.1	3.1
China	19.4		19.4	19.4
Hong Kong	2.0		2.0	2.0
India	1.9		1.9	1.8
Japan	13.4		13.4	10.0
Kazakhstan	0.3		0.3	0.3
South Korea	4.6		4.6	4.6
Thailand	0.2		0.2	0.2
<b>Europe</b>	19.9	(0.2)	19.7	22.0
Austria	1.9		1.9	
Denmark	0.5		0.5	0.5
Finland	2.4		2.4	
France	3.0		3.0	
Germany	3.8	(0.2)	3.6	
Ireland	0.9		0.9	
Italy	1.3		1.3	
Netherlands	0.2		0.2	
Norway	0.2		0.2	0.2
Spain	0.6		0.6	
United Kingdom	5.1		5.1	5.4
Euro				16.0
<b>North America</b>	23.1	(22.6)	0.5	34.0
Canada	5.1		5.1	8.3
United States of America	18.0	(22.6)	(4.6)	25.7
<b>Other</b>	2.6		2.6	2.6
<b>Sub-Total</b>	90.4	(22.8)	67.6	100.0
<b>Cash</b>	9.6	22.8	32.4	
<b>Total</b>	100.0		100.0	100.0

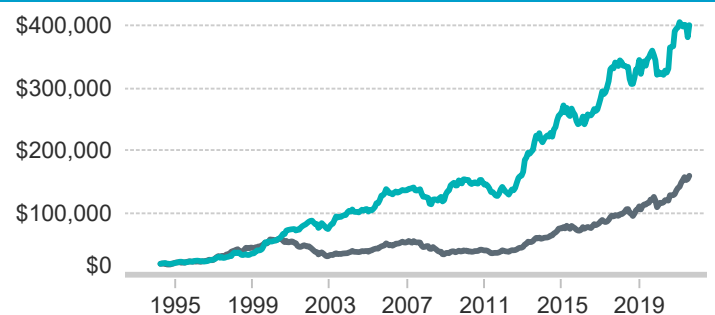
Long - 124 stocks, 2 swaps Short - 20 swaps, 3 indices

## 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 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	%
Iris Energy Ltd	Canada	Info Technology	3.4
ZTO Express Cayman Inc	China	Industrials	3.3
Minebea Co Ltd	Japan	Industrials	3.3
Microchip Technology Inc	United States	Info Technology	3.2
Micron Technology Inc	United States	Info Technology	2.8
Samsung Electronics Co	South Korea	Info Technology	2.8
Glencore PLC	Australia	Materials	2.6
Tencent Holdings Ltd	China	Comm Services	2.6
Ping An Insurance Group	China	Financials	2.4
Weichai Power Co Ltd	China	Industrials	2.4
<b>Total</b>			28.7

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

SECTOR	LONG %	SHORT %	NET %
Industrials	18.9	(0.2)	18.8
Financials	14.2		14.2
Materials	13.3		13.3
Information Technology	15.9	(4.1)	11.8
Consumer Discretionary	11.9	(1.4)	10.4
Communication Services	5.9	(0.1)	5.8
Health Care	5.5	(1.5)	4.0
Real Estate	3.1		3.1
Consumer Staples	1.0		1.0
Energy	0.6		0.6
Other		(15.5)	(15.5)

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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

- Weak Australian dollar turned a soft month in equity markets into a strong month for the portfolio.
- 2021 year-to-date returns are consistent with the portfolio's long-term returns (i.e. 5-7 years).
- Divergence in markets is extreme and speculative elements should be cause for alarm.

### Market Commentary

It is hard not to sound like a broken record, observing the craziness in markets - negative-yielding bonds, the value ascribed to unprofitable technology companies, the prevalence of special purpose acquisition companies "SPACs" (yesteryear's "cash boxes") and frenzies in cryptocurrencies and meme stocks. Experience tells us this will not end well, but the timing of the day of reckoning is uncertain.

However, while this has unfolded, we have been presented with opportunities to build a portfolio of solid reasonably priced businesses exposed to all the major themes of the world's economic growth such as automation, travel and decarbonisation, while our holdings in semiconductors provide exposure to 5G, internet of things, cloud computing and other areas we feel people are over-paying to access directly.

The market is debating whether inflation will be transitory or longer lasting. Our portfolio would likely benefit from the latter, as the crowd's positioning seems skewed to the former. A combination of looking for the 'unloved' and an assessment of the data, showing upward pressure in wages and rents, which tend to be sticky, lead us to feel comfortable with our positioning.

However, the longer we go without a meaningful correction, the more we are concerned about the risks of one occurring, and as such, the trend in the portfolio has been to increase the level of protection via short positions and cash.

### Performance Analysis

Last month we explored in detail the journey of the portfolio since the November 2020 – February 2021 "reopening" rally had fizzled out. Now, as we approach year end, we break down the returns for 2021, with one month to go. At this point, the NAV return of 9% for the calendar year to 30 November is consistent with the portfolio's long-term returns (i.e. 5-7 years).

The long part of the portfolio has contributed 13% - with an average weighting of 90%. This means the average stock returned 14% (aided by the translation into a weak Australian dollar). This is ahead of returns of markets outside of the US, as measured by the MSCI AC World ex US (Source: FactSet).

The main contributors to the returns were four sectors – Industrials, Materials, Financials and Information Technology (IT). Given that the bulk of our IT exposure is in the semiconductor sector, these are primarily cyclical exposures which are driving the portfolio. This is consistent with comments above and our ongoing commentary about the divergence in markets, leading us to these sectors.

Among these sectors, the leading stock contributors this year have included:

- **Industrials:** Japanese bearings maker, MinebeaMitsumi and US Industrial conglomerate, GE
- **Materials:** Miners, Glencore and Freeport McMoRan, and US buildings materials company, Louisiana-Pacific
- **IT:** US semiconductor companies, Microchip and Micron plus an unlisted green bitcoin miner, Iris Energy, which listed
- **Financials:** US online car finance company, Ally Financial and Eastern European bank, Raiffeisen Bank.

For all the ructions in the Chinese market, as further reform measures concerned investors, the impact of our Chinese holdings was less than 1%, and as highlighted last month, our exposure to China since around 2014 has been very lucrative. We increased our Chinese position during the sell-off, re-introducing Tencent and Alibaba, which we had sold previously in light of them becoming too popular.

On the risk management side, short-selling losses, were partially offset by small currency gains, for an aggregate cost of just over 1%. The biggest impact was an effort to protect the portfolio by shorting the very expensive Nasdaq index.

### Valuation

The portfolio's aggregate valuation metrics, for what it's worth, are attractive in both an absolute sense and relative to the market, with a 47% higher starting earnings yield and a 39% discount on an asset basis (see table below).

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.1% (Price-to-Earnings ratio of 12x)	5.5% (Price-to-Earnings ratio of 18x)
NTM Dividend Yield	2.6%	2.5%
Price-to-Book Ratio	1.7x	2.8x
Enterprise Value-to-Sales	1.3x	2.1x

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 30 November 2021.