

Facts

Portfolio value	\$456.5 mn
Portfolio Inception	29 June 1994
Current share price	\$1.46
Current dividend yield	4.11%
Pre-tax NTA (ex-div)	\$1.5666
Post-tax NTA (ex-div)	\$1.5274
Maximum franked dividend	3.84 cps
NTA retained earnings & div profit resv.	19.29 cps

Performance¹

	Company % (Pre-tax NTA)	MSCI %
1 month	0.27	(0.08)
3 months	12.60	6.52
6 months	12.87	10.65
Calendar year to date	1.63	5.90
1 year	1.63	5.90
2 years (compound pa)	9.19	15.88
3 years (compound pa)	3.34	10.56
5 years (compound pa)	7.26	10.95
7 years (compound pa)	7.23	11.20
10 years (compound pa)	9.47	12.27
Since inception (compound pa)	11.61	7.32

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 %	Currency %
Asia-Pacific	45.3	(0.3)	45.0	50.4
Australia	4.1		4.1	4.2
China	15.5		15.5	15.5
Hong Kong	3.0		3.0	3.3
Taiwan	0.9		0.9	0.9
India	1.8		1.8	1.8
Japan	12.9	(0.3)	12.6	12.9
Korea	7.1		7.1	7.1
China Renminbi Off Shore				4.7
Europe	19.6		19.6	29.3
Austria	1.0		1.0	
Belgium	0.1		0.1	
Denmark	0.5		0.5	0.5
Finland	1.8		1.8	
France	4.0		4.0	
Germany	5.0		5.0	
Ireland	1.9		1.9	
Italy	1.2		1.2	
Norway	0.5		0.5	0.5
Spain	2.5		2.5	
United Kingdom	1.0		1.0	1.0
Euro				27.4
North America	25.0	(8.0)	17.0	18.2
Canada	1.8		1.8	2.3
United States	23.2	(8.0)	15.2	15.9
Other	2.0		2.0	2.1
Zambia	1.9		1.9	1.9
Zimbabwe	0.1		0.1	0.2
Sub-Total	91.9	(8.3)	83.7	100.0
Cash	8.1	8.3	16.3	
Total	100.0		100.0	100.0

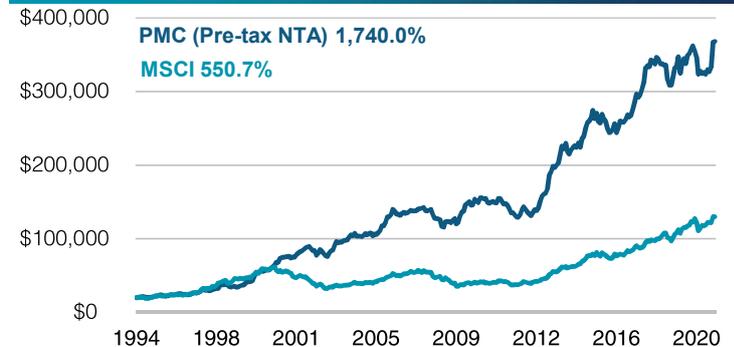
Long - 84 stocks, 2 swaps Short - 3 swaps, 1 index

Fees

Management fee:	1.10% p.a. (excl. GST) of portfolio value* plus
Performance fee:	15% (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	%
Samsung Electronics Co Ltd	Korea	Info Technology	4.6
Glencore PLC	Australia	Materials	3.5
Ping An Insurance	China	Financials	3.3
AIA Group Ltd	Hong Kong	Financials	3.0
General Electric Co	United States	Industrials	2.9
LG Chem Ltd	Korea	Materials	2.5
Toyota Motor Corp	Japan	Cons Discretionary	2.5
Minebea Co Ltd	Japan	Industrials	2.3
Micron Technology Inc	United States	Info Technology	2.3
Bayerische Motoren Werke AG	Germany	Cons Discretionary	2.3
Total			29.2

Industry breakdown³

Sector	Long %	Short %	Net %
Industrials	20.4		20.4
Materials	17.2	(0.3)	17.0
Info Technology	16.0		16.0
Consumer Discretionary	13.3		13.3
Financials	12.7		12.7
Health Care	5.9		5.9
Communication Services	3.0		3.0
Real Estate	1.7		1.7
Energy	1.2		1.2
Consumer Staples	0.5	(0.5)	(0.1)
Other		(7.5)	(7.5)

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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 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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- Strongest calendar quarter return in seven years delivering a return of 13% for the calendar quarter ended 31 December 2020.
- Stock picking drove outperformance of 6% (vis a vis the MSCI AC World Net Index) this quarter.
- Signs that market drivers are changing and rewarding cyclicals after a long trend favouring growth and defensives.

Market Commentary

The successful COVID-19 vaccine trial results in November provided the catalyst for stronger markets and for the portfolio.

Our quantitative work highlights that the key driver of market rotation was whether stocks were seen as COVID-19 beneficiaries or losers. Our portfolio benefited, being heavily exposed to economically sensitive stocks and particularly, our recent purchases in travel-related companies, along with chip-makers and materials.

We have seen better recovery data than anyone would have expected in April/May, increasing evidence governments will abandon fiscal restraint (a key contributor to low inflationary pressures) to restore full employment, and the vaccine added further encouragement.

While the long-established trend (dull growth) has favoured particular stocks (i.e. growth & defensives) and we cannot rule out its continuation, we feel that the market is moving towards recognising economic recovery and rewarding businesses sensitive to it. We believe that this should help non-US equities and cyclicals, based on our past experience.

We have made several comparisons with 1999, and it is worth noting that the December 2020 quarter was the fourth-strongest calendar quarter for the portfolio since its incredible December 1999 quarter performance (+30%). At that time, as the technology bubble deflated, the portfolio had a golden period – the 'old economy' was a great place to find cheap stocks then, and perhaps economically sensitives are similar today.

Over 80% of the portfolio can be classified as belonging to the following thematics: Growth industrials, semiconductors, travel-related, Chinese consumer, healthcare, internet-related (though much reduced) and metals.

Performance Analysis*

A lot is spoken about the divergence between growth and value. For the calendar year ended 31 December 2020, the MSCI AC World Growth Index returned 22%, while the MSCI AC World Value Index returned -9%, a gap of 31%. In the first three quarters of 2020, Growth returned 16% vs. Value's -16% return, and the December 2020 quarter 'reversal' saw Value return 8% vs. Growth's 5%. Over five years to 31 December 2020, Growth has returned 16% p.a. against Value's 6% p.a. return. There remains a long way to go.

It is encouraging to report the return of the long portfolio was substantially ahead of the MSCI AC World Net Index over the last calendar year to 31 December 2020, delivering a return of 12%, with the market up only 6% over the same period. The standouts were IT / Communications (contributing +8% to returns) and Industrials / Materials (adding +9% more). Currency management added another +2%. Energy and Financials (incl. Real Estate) suffered as a result of COVID-19 (costing -6%) and shorts (costing -10%) were disappointing, as we attempted to protect the portfolio but suffered from the momentum behind the mania in growth stocks.

The top ten contributors to 2020 returns (11% impact) were dominated by semiconductors (Samsung, Microchip and Micron), logistics (FedEx and ZTO Express) and platforms (Facebook, Tencent and Amadeus (travel)). They also included Japanese materials champion, Nitto Denko, and the top stock overall was leading electric vehicle (EV) battery maker LG Chem.

*Source: Platinum. Numbers for long and short positions are based on the total return of individual positions (in AUD) and do not take into account fees and costs (other than brokerage). Contribution numbers may not add up due to rounding and the effect of fees. **Past performance is not a reliable indicator of future returns.**

Valuation

Earnings forecasts at this stage may have less value than normal due to COVID-19 impacts, but we can still compare the portfolio to next twelve month's (NTM) earnings to get a sense of its earnings power. There appears to be value in an absolute and relative sense.

Metric	Platinum Capital Ltd	MSCI AC World Net Index (A\$)
NTM Earnings Yield	6.4% (Price-to-Earnings ratio of 15.6x)	5.1% (Price to Earnings ratio of 20x)
NTM Dividend Yield	2.4%	2.5%
Price-to-Book Ratio	1.7x	2.6x
Enterprise Value-to-Sales	1.5x	1.9x

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

The quarterly report will be available on 20 January 2021.