

MONTHLY REPORT 31 January 2021

FACTS

Portfolio value	\$457.77 mn
Portfolio commenced	29 June 1994
Current share price	\$1.465
Current dividend yield	4.10%
Pre-tax NTA	\$1.5708
Post-tax NTA	\$1.5213
Maximum franked dividend	3.84 cps
NTA retained earnings & div profit resv.	18.68 cps

PERFORMANCE¹

	Company % (Pre-tax NTA)	MSCI %
1 month	0.3	0.1
3 months	10.8	7.1
6 months	14.2	9.6
Calendar year to date	0.3	0.1
1 year	4.0	2.1
2 years (compound pa)	7.6	13.6
3 years (compound pa)	2.5	9.9
5 years (compound pa)	8.2	11.7
7 years (compound pa)	7.5	11.5
10 years (compound pa)	9.1	11.8
Since inception (compound pa)	11.6	7.3

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	45.0	(0.3)	44.7	51.6
Australia	4.3		4.3	4.3
China	16.1		16.1	15.9
Hong Kong	3.0		3.0	4.1
India	2.0		2.0	2.0
Japan	12.3	(0.3)	12.0	13.1
South Korea	7.2		7.2	7.4
China Renminbi Offshore				4.8
Europe	18.9		18.9	28.1
Austria	1.0		1.0	
Belgium	0.1		0.1	
Denmark	0.5		0.5	0.5
Finland	2.0		2.0	
France	3.8		3.8	
Germany	4.8		4.8	
Ireland	1.7		1.7	
Italy	1.5		1.5	
Norway	0.5		0.5	0.5
Spain	2.1		2.1	
United Kingdom	0.9		0.9	0.9
Euro				26.2
North America	24.2	(6.9)	17.3	18.2
Canada	2.3	(0.2)	2.0	2.5
United States of America	22.0	(6.6)	15.3	15.8
Other	2.0		2.0	2.0
Sub-Total	90.1	(7.2)	83.0	100.0
Cash	9.9	7.2	17.0	
Total	100.0		100.0	100.0

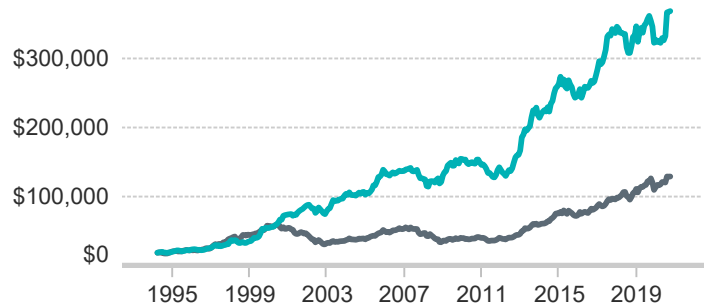
Long - 80 stocks, 2 swaps Short - 7 swaps, 1 index

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	%
Samsung Electronics Co	South Korea	Info Technology	4.5
Glencore PLC	Australia	Materials	3.7
Weichai Power Co Ltd	China	Industrials	3.3
AIA Group Ltd	Hong Kong	Financials	3.0
Ping An Insurance Group	China	Financials	3.0
LG Chem Ltd	South Korea	Materials	2.7
Minebea Co Ltd	Japan	Industrials	2.6
General Electric Co	United States	Industrials	2.5
Micron Technology Inc	United States	Info Technology	2.3
Toyota Motor Corp	Japan	Cons Discretionary	2.2
Total			29.9

INDUSTRY BREAKDOWN³

SECTOR	LONG %	SHORT %	NET %
Industrials	20.6		20.6
Materials	18.0	(0.3)	17.7
Information Technology	14.5	(0.2)	14.3
Financials	13.5		13.5
Consumer Discretionary	12.2	(1.0)	11.2
Health Care	6.3	(2.1)	4.2
Real Estate	1.9		1.9
Communication Services	1.5		1.5
Energy	1.1		1.1
Consumer Staples	0.5	(0.5)	0.1
Other		(3.1)	(3.1)

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the investment manager of Platinum Capital Limited ("PMC"). This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Neither PMC nor Platinum, guarantee the performance of PMC, the repayment of capital or the payment of income. The market commentary reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by PMC or Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by PMC or Platinum for any loss or damage as a result of any reliance on this information.

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).

All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>

MARKET UPDATE AND COMMENTARY

- Entered 2021 following the portfolio's strongest calendar quarter in over seven years, delivering 13% in the three months to 31 December 2020.
- 4% return in the 12 months to 31 January 2021 (vs. market's 2% return) driven by investments in Industrials, Materials, IT and Communications.
- Signs that market drivers are changing and rewarding cyclicals after a long trend favouring growth and defensives.

Market Commentary

The first month of 2021 was characterised by the so-called "Reddit revolution" and the media frenzy associated with the "man in the street" taking on the "Hedge Fund Titans of Wall Street". It certainly looks to the trained eye that the targets (e.g. GameStop) were carefully selected by industry insiders, simply capitalising on the renewed interest in the stock market by the general public, often coincident with later stages of bull markets. The key lesson is a simple one: **crowded positions, long or short, are dangerous and should be avoided**. This is at the core of our philosophy; "avoiding the crowd" is a key part of our risk management approach.

The successful COVID-19 vaccine trial results in November had previously provided the catalyst for stronger markets and for the portfolio. This news fuelled a strong move in share prices until mid-January before concerns about further outbreaks dampened enthusiasm. Our quantitative work highlights that the key driver of these recent market moves was whether stocks were seen as COVID-19 beneficiaries or losers. Our portfolio generally benefited, being heavily exposed to economically sensitive stocks and particularly, our recent purchases in travel-related companies, along with chip-makers and materials. **This has resulted in significantly higher returns for the portfolio over the last 3-6 months than has typically been the case.**

We have seen better recovery data than anyone would have expected last 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 and defensives) and we cannot rule out its continuation, **we feel that the market is moving towards recognising the economic recovery** and rewarding businesses sensitive to that. Based on our past experience, we believe that this should help non-US equities and cyclicals.

The majority of the portfolio can be classified as belonging to the following thematic: growth industrials, semiconductors, travel-related, Chinese consumer, healthcare, internet-related (though much reduced) and metals.

Performance Analysis*

It is encouraging to report **the return of the long portfolio was substantially ahead of the MSCI AC World Net Index over the last 12 months**, making a contribution of 13%, with the market up only 2% over the same period. The standouts were Industrials/Materials (contributing +10% to returns) and IT/Communications (adding +7%). Currency management added another +2%. Energy and Financials (incl. Real Estate) suffered as a result of COVID-19 (costing -6%) and shorts (costing -9%) were disappointing, as we attempted to protect the portfolio but suffered from the momentum behind the mania in growth stocks.

The top 10 contributors over the last 12 months (11% impact) were dominated by semiconductors (Samsung, Microchip, Micron), China (logistics company ZTO Express, engine maker Weichai Power) and copper miners (First Quantum Minerals and Freeport-McMoRan). The other leaders were electric vehicle battery maker LG Chem and vaccine maker Moderna.

*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

While aggregate valuation data does not tell the full story, it is a useful gauge for the portfolio's attractiveness at a point in time. There appears to be value in an absolute and relative sense, with the portfolio offering a starting earnings yield that is 37% higher than the market and appearing to be 35% cheaper relative to the assets backing it.

Metric	Platinum Capital Ltd	MSCI AC World Net Index (A\$)
NTM Earnings Yield	7.0% (Price-to-Earnings ratio of 14.3x)	5.1% (Price-to-Earnings ratio of 19.5x)
NTM Dividend Yield	2.5%	2.5%
Price-to-Book Ratio	1.7x	2.6x
Enterprise Value-to-Sales	1.4x	2.0x

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.