

## FACTS

Portfolio value	\$493.80 mn
Portfolio commenced	29 June 1994
Current share price	\$1.480
Current dividend yield	4.73%
Pre-tax NTA	\$1.6832
Post-tax NTA	\$1.6073
Maximum franked dividend	9.72 cps
NTA retained earnings & div profit resv.	27.17 cps

## PERFORMANCE<sup>1</sup>

	Company % (Pre-tax NTA)	MSCI %
1 month	3.0	(1.9)
3 months	10.0	2.9
6 months	5.3	4.0
Calendar year to date	3.0	(1.9)
1 year	14.3	23.3
2 years (compound pa)	9.0	12.2
3 years (compound pa)	9.8	16.7
5 years (compound pa)	9.7	14.3
7 years (compound pa)	7.7	11.9
10 years (compound pa)	12.3	15.3
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>	44.2	(1.1)	43.1	45.7
Australia	5.6	(0.4)	5.1	6.0
China	18.9		18.9	18.9
Hong Kong	0.8		0.8	2.3
India	1.9		1.9	1.9
Japan	12.3	(0.3)	11.9	12.1
Kazakhstan	0.2		0.2	0.2
New Zealand		(0.3)	(0.3)	(0.3)
South Korea	4.4		4.4	4.4
Thailand	0.2		0.2	0.2
<b>Europe</b>	20.4	(1.8)	18.6	23.5
Austria	1.5		1.5	
Belgium	0.1		0.1	
Denmark	0.4	(0.2)	0.2	0.4
Finland	2.3		2.3	
France	2.9	(0.7)	2.2	
Germany	3.8		3.8	
Ireland	0.8		0.8	
Italy	1.5		1.5	
Netherlands	0.4		0.4	
Norway	0.1		0.1	0.1
Spain	0.5		0.5	
Switzerland		(0.9)	(0.9)	0.1
United Kingdom	6.1		6.1	6.1
Euro				16.6
<b>North America</b>	17.3	(14.6)	2.8	27.7
Canada	1.6		1.6	4.7
United States of America	15.8	(14.6)	1.2	23.0
<b>Other</b>	3.1		3.1	3.1
<b>Sub-Total</b>	85.0	(17.5)	67.6	100.0
<b>Cash</b>	15.0	17.5	32.4	
<b>Total</b>	100.0		100.0	100.0

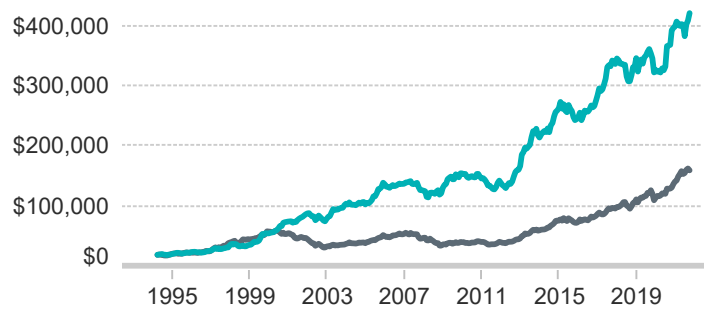
Long - 124 stocks, 2 swaps, 1 option Short - 28 swaps, 2 indices

## 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	%
ZTO Express Cayman Inc	China	Industrials	3.0
Minebea Co Ltd	Japan	Industrials	2.9
Microchip Technology Inc	United States	Info Technology	2.9
Glencore PLC	Australia	Materials	2.8
Samsung Electronics Co	South Korea	Info Technology	2.7
Ping An Insurance Group	China	Financials	2.6
Tencent Holdings Ltd	China	Comm Services	2.6
China Overseas Land & Inv	China	Real Estate	2.5
Iris Energy Ltd	Australia	Info Technology	2.4
UPM-Kymmene OYJ	Finland	Materials	2.3
<b>Total</b>			26.5

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

SECTOR	LONG %	SHORT %	NET %
Industrials	17.6	(0.1)	17.5
Financials	13.7		13.7
Materials	13.4	(0.6)	12.8
Information Technology	13.1	(3.7)	9.4
Consumer Discretionary	11.5	(2.5)	9.0
Communication Services	5.6	(0.5)	5.1
Health Care	5.0	(0.6)	4.3
Real Estate	3.3		3.3
Consumer Staples	1.0		1.0
Energy	0.8		0.8
Other		(9.5)	(9.5)

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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

- Solid start to 2022 for the portfolio, with its risk management tools (shorts and currency) driving January returns.
- Sense we may be nearing a regime change in markets; perhaps January was a sneak preview of 2022.
- Portfolio highly differentiated, with almost no net exposure to the US, which dominates global indices.

### Market Commentary

For some time, we have been pointing to the risks facing the more speculative elements of the market – from special purpose acquisition companies (SPACs), to cryptocurrency and unprofitable technology stocks, marketed under the guises of disruption, innovation and with endless vistas of total addressable markets – and January provided a glimpse as to what can happen when perfection is questioned.

Intra-month, the Nasdaq Index of high-growth stocks was down around 20% from its highs in November 2021, as investors started to wonder if inflation would perhaps be more permanent, causing bond yields to rise, and at the same time ask if the growth rates and profitability they had assumed would eventuate may not be quite so achievable. Meanwhile, tension in Ukraine was grabbing political headlines, and the Omicron wave was dampening economic activity.

Our approach is about trying to avoid the hype, staying away from the crowd, and we have talked at length about the risks in markets. While this made us appear languid at times, it was a very deliberate approach which led us to enter this year very cautiously positioned on the basis that risks in markets were very asymmetric.

The portfolio is dominated by companies benefiting from trends in, among other areas, decarbonisation (including electric vehicles and materials), travel, technology (via semiconductors), industrial efficiency and the Chinese consumer. The short book is dominated by technology-related stocks that remain over-priced in our view.

In simple terms, what has appeared to many investors to be ‘safe’ could turn out to be very risky, and vice versa. The closest parallel we can use to describe today’s markets is the year 2000. The only difference being that it’s more extreme today.

### Performance Analysis\*

January’s positive returns, delivered in a falling market, were driven by the portfolio’s short positions, with small profits on active currency positions. With a backdrop of rising bond yields, the portfolio delivered its second period of strength since the market rally from the pandemic sell-off. The first period (Q4 2020/Q1 2021) saw a surge in cyclicals with vaccine discovery, while this time it was more nuanced, with more of a rotation away from over-priced technology.

The breakdown of the last three months is revealing, especially if this is a microcosm of what lies ahead, and perhaps somewhat consistent with the behaviour of the portfolio in the aftermath of the technology bubble.

Over the most recent three months, the long positions contributed 5% (with an underlying market return of 3%), the technology-heavy short book added another 5% to returns, and there were small gains on active currency.

### Valuation

The portfolio’s aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 50% higher starting earnings yield and a 42% discount on an asset basis (see table below). FactSet consensus earnings as at 31 January 2022 lead us to conclude that the portfolio potentially has marginally higher growth prospects over the next two years than the broader market.

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.7% (Price-to-Earnings ratio of 12x)	5.8% (Price-to-Earnings ratio of 17x)
NTM Dividend Yield	3.0%	2.5%
Price-to-Book Ratio	1.5x	2.6x
Enterprise Value-to-Sales	1.2x	1.9x

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 January 2022.

\*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 portfolio’s fees and costs (other than brokerage). Past performance is not a reliable indicator of future returns.