

## FACTS

Portfolio value	\$431.48 mn
Portfolio commenced	29 June 1994
Current share price	\$1.260
Current dividend yield	5.56%
Pre-tax NTA	\$1.4695
Post-tax NTA	\$1.4598
Maximum franked dividend	11.11 cps
NTA retained earnings & div profit resv.	12.38 cps

## PERFORMANCE<sup>1</sup>

	Company % (Pre-tax NTA)	MSCI %
1 month	(4.0)	(4.5)
3 months	0.1	(7.9)
6 months	(7.5)	(15.6)
Calendar year to date	(7.5)	(15.6)
1 year	(6.3)	(8.0)
2 years (compound pa)	7.8	8.4
3 years (compound pa)	3.9	6.9
5 years (compound pa)	5.3	9.4
7 years (compound pa)	5.3	8.7
10 years (compound pa)	10.9	13.2
Since inception (compound pa)	11.1	7.1

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>	<b>34.8</b>	<b>(2.7)</b>	<b>32.1</b>	<b>42.8</b>
Australia	2.8	(0.8)	2.1	2.9
China	18.8		18.8	18.8
Hong Kong				3.3
India	1.8		1.8	1.8
Israel		(0.1)	(0.1)	(0.1)
Japan	7.8	(1.8)	5.9	12.5
Kazakhstan	0.2		0.2	0.2
South Korea	3.4		3.4	3.4
<b>Europe</b>	<b>22.5</b>	<b>(2.2)</b>	<b>20.3</b>	<b>24.9</b>
Austria	1.5		1.5	
Belgium	0.1		0.1	
Denmark		(0.1)	(0.1)	
Finland	2.2		2.2	
France	2.5		2.5	
Germany	4.4	(1.6)	2.8	
Ireland	0.7		0.7	
Italy	2.2		2.2	
Netherlands	2.1		2.1	
Other Europe		(0.5)	(0.5)	
Spain	0.5		0.5	
Switzerland	0.6		0.6	0.6
United Kingdom	5.6		5.6	7.8
Euro				16.4
<b>North America</b>	<b>15.3</b>	<b>(13.0)</b>	<b>2.2</b>	<b>29.3</b>
Canada	2.4		2.4	3.3
United States of America	12.8	(13.0)	(0.2)	26.0
<b>Other</b>	<b>3.0</b>		<b>3.0</b>	<b>3.0</b>
<b>Sub-Total</b>	<b>75.6</b>	<b>(18.0)</b>	<b>57.6</b>	<b>100.0</b>
<b>Cash</b>	<b>24.4</b>	<b>18.0</b>	<b>42.4</b>	
<b>Total</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>

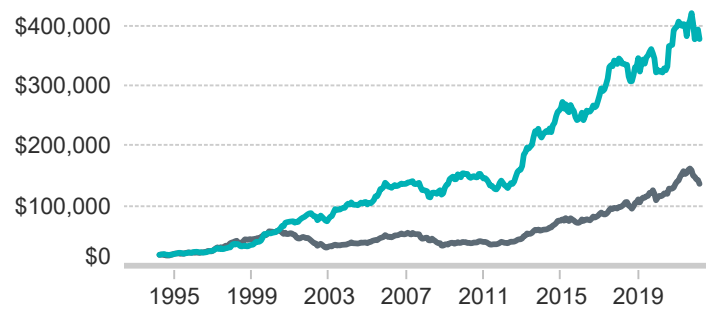
Long - 112 stocks, 3 swaps, 1 option Short - 31 swaps, 3 indices

## 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	%
ZTO Express Cayman Inc	China	Industrials	3.4
Ping An Insurance Group	China	Financials	2.9
Microchip Technology Inc	United States	Info Technology	2.6
Minebea Co Ltd	Japan	Industrials	2.4
UPM-Kymmene OYJ	Finland	Materials	2.2
Trip.com Group Ltd	China	Cons Discretionary	2.1
Shell PLC	Netherlands	Energy	2.0
Beazley PLC	UK	Financials	2.0
Samsung Electronics Co	South Korea	Info Technology	1.9
Weichai Power Co Ltd	China	Industrials	1.9
<b>Total</b>			<b>23.4</b>

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

SECTOR	LONG %	SHORT %	NET %
Industrials	16.7	(1.3)	15.4
Financials	13.0	(0.9)	12.1
Materials	10.8		10.8
Consumer Discretionary	11.5	(3.5)	7.9
Information Technology	9.1	(3.3)	5.8
Energy	4.2		4.2
Communication Services	3.9	(0.5)	3.3
Health Care	3.2		3.2
Real Estate	2.8		2.8
Consumer Staples	0.6	(0.4)	0.2
Other		(8.0)	(8.0)

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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

- The portfolio delivers positive return for quarter, despite global equity markets falling by 8%.\*
- Global equity markets down 16% for the calendar year to date as prolonged bull market comes to an end.
- Short selling has added 7% to the portfolio's quarterly return and 8% so far in 2022 (before fees and costs).\*\*

### Market Commentary

Global equity markets have had one of the poorest starts to any year observed by us in our 28-year history, with only 2002 and 2008 starting marginally worse. Indeed, this is only the third episode over that timeframe when global equity markets have fallen by 15% or more in A\$ terms, with the bursting of the technology bubble and the global financial crisis being the other two.

The last decade or more saw an incredible bull market with the story of 'disruption' at its centre, fuelled by an enormous wave of liquidity, which started in response to the financial system meltdown of 2008. This was perpetuated through European crises, episodic Chinese reform efforts and a global pandemic. While the market became ever-more speculative, many appeared to become increasingly comfortable with fanciful ideas, with their valuations benefiting from ultra-low interest rates.

We could wax lyrical about tides going out, music stopping or the party being over. However, quite simply, an inflationary pulse was the inevitable consequence of authorities' response to COVID-19, as we have been highlighting in our quarterly commentaries since June 2020. With this situation, rates could not remain as low as they were, and the effect of the removal of liquidity, is for the story of the day to lose its lustre.

While some of the recent moves down may seem dramatic, it is worth bearing in mind, the scale of the bull market, and as a reasonable rule of thumb, that we might give back 50-85% of these gains, based on historical market cycles.

In our view, we should start to see the 'truths' of the last decade called into question as time-tested principles, such as the importance of price paid, reassert themselves. The good news is that there were vast areas that didn't participate in the bubble, yet have strong prospects. Today, we feel that our long portfolio offers compelling value, but we remain wary of the need to protect capital against further lurches down. We have not yet seen widespread panic and observe that the prices of many 'fashionable' stocks remain well above pre-pandemic levels.

We remain excited by opportunities across decarbonisation, semiconductors, travel, Chinese consumers, European financials and growth industrials. On the short side, we continue to protect the portfolio with a range of positions in stocks that, in our view, have alarming fundamentals and/or valuations, most of which are in the technology and consumer areas.

For more details, see the latest Quarterly Report to be released on 19 July 2022.

### Performance Analysis\*\*

The portfolio's strategy encompasses multiple elements which have roles to play at different times. In widespread market sell-offs it is hard to protect capital on the long side, and indeed, over the last quarter and year, the long portfolio has come under pressure. Although, pleasingly in the last quarter the portfolio's Chinese holdings added 2% to returns.

It is in falling markets, such as those we are currently witnessing, that short-selling comes to the fore. Indeed, over the last quarter the portfolio has benefited to the tune of 7% from its short positions and 8% over the first six months of 2022. A further 1% was added from active currency management over the quarter.

While the portfolio is down 5% for the calendar year to date, in our view, the outcome would have been much worse without the flexibility in our approach.

### Valuation

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 52% 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	10.8% (Price-to-Earnings ratio of 9.3x)	7.1% (Price-to-Earnings ratio of 14.1x)
NTM Dividend Yield	3.4%	2.9%
Price-to-Book Ratio	1.4x	2.3x
Enterprise Value-to-Sales	1.3x	1.7x

The valuations in the table have been calculated by Platinum and for the portfolio refer to the long portion of the portfolio, exclude negative net earnings and use FactSet consensus earnings. As at 30 June 2022. NTM = next twelve months.

\*Market returns throughout this report refer to the MSCI AC World Net Index in A\$. Source: FactSet.

\*\*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.**