

Facts

Portfolio value	\$455.3 mn
Portfolio Inception	29 June 1994
Current share price	\$1.365
Current dividend yield	4.40%
Pre-tax NTA	\$1.5625
Post-tax NTA	\$1.5243
Maximum franked dividend	3.78cps
NTA retained earnings & div profit resv.	19.01 cps

Performance¹

	Company % (Pre-tax NTA)	MSCI %
1 month	10.24	7.05
3 months	11.20	6.45
6 months	13.12	10.17
Calendar year to date	1.37	5.99
1 year	2.68	5.57
2 years (compound pa)	9.05	13.83
3 years (compound pa)	3.06	10.08
5 years (compound pa)	6.87	10.47
7 years (compound pa)	7.90	11.82
10 years (compound pa)	9.41	12.33
Since inception (compound pa)	11.64	7.35

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	(0.7)	44.6	50.0
Australia	3.8	(0.5)	3.3	4.3
China	16.4		16.4	16.4
Hong Kong	2.9		2.9	2.9
Taiwan	0.9		0.9	0.9
India	1.7		1.7	1.7
Japan	13.0		13.0	12.5
Korea	6.7		6.7	6.7
New Zealand		(0.3)	(0.3)	(0.3)
China Renminbi Off Shore				4.9
Europe	19.6	(0.2)	19.3	30.1
Austria	0.8		0.8	
Belgium	0.1		0.1	
Denmark	0.5		0.5	0.5
Finland	1.2		1.2	
France	4.3		4.3	
Germany	5.2		5.2	
Ireland	1.8		1.8	
Italy	1.2		1.2	
Netherlands		(0.2)	(0.2)	
Norway	0.3		0.3	0.3
Spain	2.7		2.7	
United Kingdom	1.4		1.4	1.4
Euro				27.8
North America	25.1	(16.2)	8.9	18.2
Canada	1.6		1.6	2.1
United States	23.5	(16.2)	7.3	16.1
Other	1.7		1.7	1.7
Zambia	1.6		1.6	1.6
Zimbabwe	0.1		0.1	0.1
Sub-Total	91.7	(17.1)	74.6	100.0
Cash	8.3	17.1	25.4	
Total	100.0		100.0	100.0

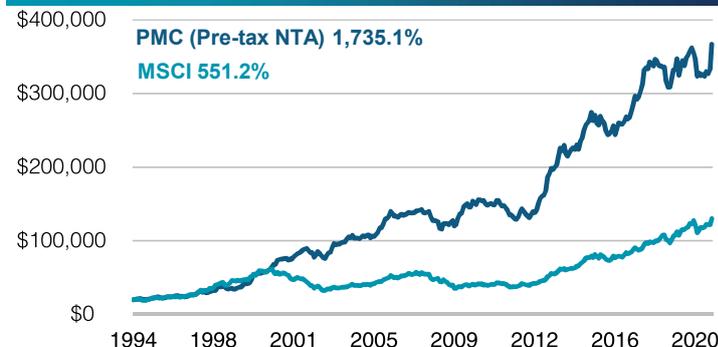
Long - 84 stocks, 2 swaps Short - 6 swaps, 1 index

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	4.0
Ping An Insurance	China	Financials	3.5
Glencore plc	Australia	Materials	3.2
General Electric Co	United States	Industrials	3.1
AIA Group Ltd	Hong Kong	Financials	2.9
LG Chem Ltd	Korea	Materials	2.7
Minebea Co Ltd	Japan	Industrials	2.7
Bayerische Motoren	Germany	Cons Discretionary	2.4
Nitto Denko Corp	Japan	Materials	2.3
Weichai Power	China	Industrials	2.2
Total			29.0

Industry breakdown³

Sector	Long %	Short %	Net %
Industrials	21.8		21.8
Info Technology	16.3	(0.7)	15.6
Materials	15.5		15.5
Financials	12.3		12.3
Consumer Discretionary	12.7	(0.5)	12.2
Health Care	6.2		6.2
Communication Services	3.5		3.5
Real Estate	1.7		1.7
Energy	1.4		1.4
Consumer Staples	0.3	(1.0)	(0.7)
Other		(14.9)	(14.9)

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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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Market update and commentary

- Second-best performing month for the portfolio since 1999, with a return of 10%.
- Despite carrying shorts and cash, our stock picking meant we significantly outperformed a strong market (+7%).
- Increasing signs the market drivers are changing and rewarding cyclicals after a long trend favouring growth and defensives.

Market Commentary

While the market move upward coincided with the US election result, which we might expect will lead to more traditional diplomatic engagement between the world's two superpowers, it was the successful COVID-19 vaccine trial results that provided the catalyst, for not only strong markets, but stronger performance for the portfolio.

Our quantitative work highlights that the key driver of rotation within the market was those stocks considered to lose out from COVID-19 versus those considered to be beneficiaries. This has benefited our portfolio, which is heavily exposed to economically sensitive stocks and particularly, our recent purchases in travel-related companies, along with chip-makers and materials.

What we are now seeing is the confluence of better recovery data than anyone would have expected a few months ago in the depths of lockdowns, increasing evidence that governments will abandon their fiscal restraint (which has been a key contributor to low inflationary pressures) in order to restore full employment, a vaccine putting a line under the worst-case scenarios, thus allowing the market to envisage more normal conditions by late 2021.

This data includes key drivers of the world's largest two economies, including the US housing sector, auto sales and car sales, and similarly in China, retail/auto sales, industrial activity and domestic travel, which tell a similar story. Commodity prices are expressing the story via higher copper and US steel prices. (Source: FactSet)

While the long-established trend (dull growth) has favoured particular stocks (i.e. growth and defensives), and we cannot entirely rule out a continuation, we are increasingly encouraged that we are moving towards a period in which the market recognises the economic recovery and rewards businesses that are sensitive to it. This should be beneficial for non-US equities (also benefiting from the weaker USD) and cyclicals, based on past experience.

We have made several comparisons with 1999, and it is interesting to note that November 2020 was the fifth-strongest performing month in the portfolio's 26-year history and that two of its best four months were in 1999. 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 thematic: Growth Industrials, Semiconductors, Travel-related, Chinese consumer, Healthcare, Internet-related (much reduced) and Metals.

Performance Analysis

The last 12 months has been a “game of two halves”. The period to May saw the portfolio held back by investments in cyclical sectors (cost 10% from December-May), but these have rebounded strongly (adding 16% between June-November). October and November combined were the strongest two months relative to the market since the bottom of the bear market in February/March 2009.

It is encouraging to see the return of the long portfolio substantially ahead of the market over the last year. The cost of shorts has been disappointing, as we attempted to protect the portfolio but suffered from the momentum behind the mania in growth stocks.

The top contributors were semiconductors (Samsung, Microchip, Micron, Skyworks), logistics (FedEx and ZTO Express), Facebook, Japanese materials business, Nitto Denko, travel platform Amadeus, and the top stock overall was leading electric vehicle (EV) battery maker LG Chem.

1 year to 30 November 2020	Average Weight %	Contribution %
Long Positions	89	13
Short Positions	(13)	(10)
Cash / FX		2
Total (Portfolio, net of fees and costs)		3
Comparison (MSCI AC World Net Index (A\$))		6

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 year'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 Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	6.1% (Price-to-Earnings ratio of 16x)	5.1% (Price to Earnings ratio of 20x)
NTM Dividend Yield	2.4%	2.6%
Price-to-Book Ratio	1.7x	2.5x
Enterprise Value-to-Sales	1.5x	1.9x

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