

FACTS¹

Market capitalisation	\$373.28 mn
Listing date	29 June 1994
Current share price	\$1.270
Current dividend yield	4.72%
Pre-tax NTA	\$1.4179
Post-tax NTA	\$1.4146
Maximum franked dividend	8.11 cps
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\$)). Performance fees are calculated after recovery of any underperformance carried forward from prior periods.

PERFORMANCE²

	1 month	3 months	6 months	CYTD	1 year	2 years p.a.	3 years p.a.	5 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a.
Company % (Pre-tax NTA)	(0.6)	(5.4)	(7.9)	(8.8)	(7.5)	6.3	3.4	4.2	5.3	10.6	10.9
MSCI %	(2.0)	(1.3)	(6.0)	(12.8)	(10.3)	8.0	7.4	10.1	8.9	13.3	7.2

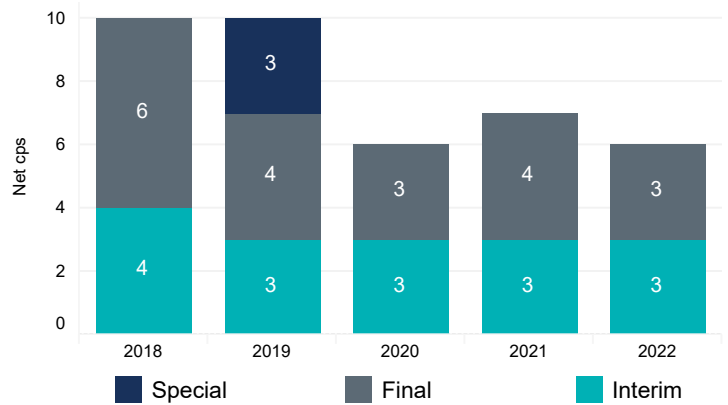
PMC's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PMC's returns have not been calculated using PMC's share price. Past performance is not a reliable indicator of future returns.

INVESTED POSITIONS⁴

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	37.1	(4.1)	33.1	44.4
Australia	2.7	(1.8)	0.9	4.7
China	18.8		18.8	18.8
Hong Kong				2.6
India	2.5		2.5	2.5
Japan	8.7	(1.9)	6.9	11.7
South Korea	4.1		4.1	4.1
Other Asia-Pacific	0.3	(0.3)	(0.1)	(0.1)
Europe	25.0	(1.2)	23.9	26.1
Austria	2.1		2.1	
Euro				17.5
Finland	2.9		2.9	
France	3.7		3.7	
Germany	3.7	(0.3)	3.3	
Italy	2.5		2.5	
Netherlands	2.2		2.2	
United Kingdom	6.1		6.1	7.6
Other Europe	1.9	(0.8)	1.0	1.0
North America	18.1	(9.8)	8.3	27.0
Canada	2.6		2.6	3.0
United States of America	15.5	(9.8)	5.7	24.0
Other	2.5		2.5	2.5
Sub-Total	82.8	(15.0)	67.7	100.0
Cash	17.2	15.0	32.3	
Total	100.0		100.0	100.0

Long - 112 stocks, 2 swaps, 1 option, 2 other Short - 33 swaps, 3 indices

HISTORY OF FULLY FRANKED DIVIDENDS (CPS)³



TOP TEN POSITIONS⁵

STOCK	COUNTRY	INDUSTRY	%
ZTO Express Cayman Inc	China	Industrials	3.6
Microchip Technology Inc	United States	Info Technology	3.2
UPM-Kymmene OYJ	Finland	Materials	2.9
Ping An Insurance Group	China	Financials	2.9
Minebea Co Ltd	Japan	Industrials	2.7
InterGlobe Aviation Ltd	India	Industrials	2.5
Beazley PLC	UK	Financials	2.2
Shell PLC	Netherlands	Energy	2.1
Trip.com Group Ltd	China	Cons Discretionary	2.0
Tencent Holdings Ltd	China	Comm Services	2.0
Total			26.3

INDUSTRY BREAKDOWN⁴

SECTOR	LONG %	SHORT %	NET %
Industrials	18.6	(2.0)	16.6
Financials	14.1	(1.5)	12.7
Materials	12.1		12.1
Consumer Discretionary	11.9	(3.0)	8.9
Information Technology	10.8	(4.2)	6.6
Energy	5.6		5.6
Health Care	3.1		3.1
Communication Services	3.6	(0.6)	3.0
Real Estate	2.5		2.5
Consumer Staples	0.4	(0.2)	0.1
Other		(3.6)	(3.6)
Sub-Total	82.8	(15.0)	67.7
Cash	17.2	15.0	32.3
Total	100.0		100.0

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1. Source: Platinum. The pre-tax NTA was calculated in accordance with Australian Accounting Standards, based on the fair value of all investments. The post-tax NTA is the pre-tax NTA after provision for tax on both realised and unrealised income and gains. The NTA is unaudited.

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 31/12/96). 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. Shows dividends paid during the calendar year. This information is historical. No guarantee is given about future dividends or the level of franking of such dividends (if any).

4. 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 total of the "Long %" and "Short %", each as a percentage of PMC's portfolio value. The "CCY %" 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".

4. and 5. Country classifications for securities reflect Bloomberg's "country of risk" designations, and currency classifications for securities reflect the relevant local currencies of the country classifications.

5. 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

- An almost flat month for the portfolio against a backdrop of softer markets.*
- For the calendar year to date, shorts have continued to provide considerable cushioning in weak markets.
- Looking forward, there are exciting opportunities on the long side, but we expect further broad market weakness.
- Management of risk is paramount as we expect more volatile times ahead in markets.

Market Commentary

The Northern Hemisphere summer bear market rally reversed course over August as the US Federal Reserve (Fed) maintained its resolve to fight inflation despite a market hoping for a 'Fed pivot' to a softer stance on future interest rate rises. Bond yields rose, and the major US equity indices gave back around half of their July bounce. As noted last month, it is important to stress that bear market rallies are normal. Hence, at this stage, we don't believe that we are entering a new bull market.

Geopolitics were front and centre with the Speaker of the United States House of Representatives, Nancy Pelosi, visiting Taiwan, prompting China to announce missile tests and military drills. Gas flows from Russia to Europe also slowed, causing spikes in energy prices. The inflationary impact prompted the Bank of England to issue a very dire outlook for economic growth, with a "significant deterioration" in activity expected, while UK inflation hit a new 40-year high of 10.1%. (Source: FactSet). Elsewhere, China stepped up efforts to stabilise its property sector by unexpectedly cutting its key lending rate. The fact that China is stimulating while the US is tightening monetary conditions should not go unnoticed.

There are two aspects to bear markets: a reduction in valuations, which is what we have seen to some extent so far, albeit only in line with changes in bond yields; and a reduction in the earnings outlook. There are not many signs of the latter happening on a broad scale yet. Applying rules of thumb based on historic bull and bear markets, we would not be surprised to see further weakness, so remain cautious and alert to the rapidly changing backdrop.

In recent weeks, we reduced our net exposure to 68% by adding short positions. This weighting is a touch lower than our long-term average, and all else being equal, we would expect to continue to add to short positions (i.e. reduce net exposure) if the markets move higher from current levels.

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

Performance Analysis**

The portfolio has benefited from its broad tool kit during this year's market sell-off, with shorts contributing 6% to returns, providing considerable cushioning. These were skewed towards the "growthier" end of the market, which had been hot for some time leading into late 2021. The broad de-rating of equities, coincident with rising bond yields, meant the long side of the portfolio was not immune to the market sell-off. This is consistent with our experience in the two large bear markets of 2000-03 and 2007-09. On the positive side, within the long portfolio, the top contributors for the calendar year to date include Mosaic (fertiliser), Glencore (mining, commodities trading), China Overseas Land & Investment (Chinese property), Beazley (specialist insurer) and Saras (Italian oil refiner).

Valuation

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 53% higher starting earnings yield and a 44% discount on an asset basis (see table below).

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	10.4% (Price-to-Earnings ratio of 9.6x)	6.8% (Price-to-Earnings ratio of 14.6x)
NTM Dividend Yield	3.4%	2.8%
Price-to-Book Ratio	1.4x	2.5x
Enterprise Value-to-Sales	1.4x	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 31 August 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.