

FACTS¹

Market capitalisation	\$350.74 mn
Listing date	29 June 1994
Current share price	\$1.190
Current dividend yield	5.04%
Pre-tax NTA	\$1.4338
Post-tax NTA	\$1.4260
Maximum franked dividend	8.88 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)	1.0	0.6	(3.6)	(7.8)	(1.6)	6.5	2.4	2.6	4.9	10.6	10.9
MSCI %	6.6	0.8	0.7	(10.3)	(6.0)	9.9	7.5	9.1	8.9	13.3	7.3

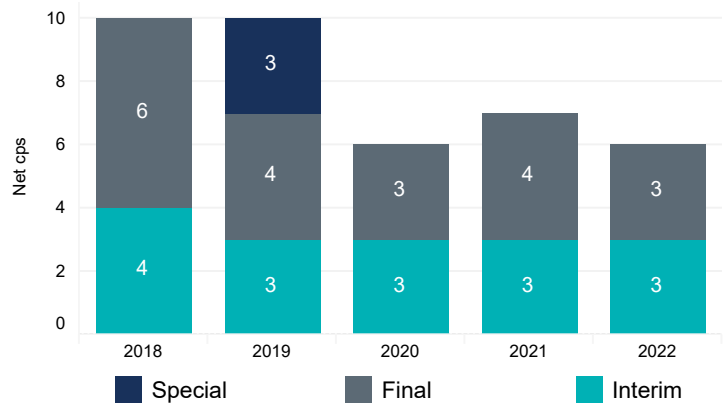
PMC's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PMC's returns have not been calculated using PMC's share price. Past performance is not a reliable indicator of future returns.

INVESTED POSITIONS⁴

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	32.6	(4.0)	28.6	42.2
Australia	2.6	(2.1)	0.5	2.8
China	15.2		15.2	15.2
Hong Kong				2.1
India	2.3		2.3	2.3
Japan	8.1	(1.8)	6.4	16.6
South Korea	4.1		4.1	4.1
Other Asia-Pacific	0.3	(0.2)	0.1	(0.9)
Europe	27.3	(0.1)	27.2	28.8
Austria	2.5		2.5	
Euro				19.6
Finland	3.1		3.1	
France	4.2		4.2	
Germany	3.8		3.8	
Italy	2.4		2.4	
Netherlands	2.8		2.8	
United Kingdom	6.3		6.3	8.2
Other Europe	2.2	(0.1)	2.1	1.0
North America	17.2	(8.0)	9.2	26.5
Canada	1.9		1.9	2.8
United States of America	15.3	(8.0)	7.3	23.7
Other	2.5		2.5	2.6
Sub-Total	79.7	(12.2)	67.5	100.0
Cash	20.3	12.2	32.5	
Total	100.0		100.0	100.0

Long - 119 stocks, 2 swaps, 1 option, 2 other Short - 27 swaps, 1 index

HISTORY OF FULLY FRANKED DIVIDENDS (CPS)³



TOP TEN POSITIONS⁵

STOCK	COUNTRY	INDUSTRY	%
Microchip Technology Inc	United States	Info Technology	3.3
UPM-Kymmene OYJ	Finland	Materials	3.1
ZTO Express Cayman Inc	China	Industrials	2.8
Shell PLC	Netherlands	Energy	2.5
Minebea Co Ltd	Japan	Industrials	2.5
Ping An Insurance Group	China	Financials	2.3
InterGlobe Aviation Ltd	India	Industrials	2.3
Intesa Sanpaolo SpA	Italy	Financials	2.3
Beazley PLC	UK	Financials	2.3
Suzano SA	Brazil	Materials	2.0
Total			25.3

INDUSTRY BREAKDOWN⁴

SECTOR	LONG %	SHORT %	NET %
Industrials	17.3	(1.2)	16.1
Financials	14.8	(1.4)	13.4
Materials	10.4		10.4
Consumer Discretionary	10.7	(3.6)	7.0
Energy	6.8		6.8
Information Technology	10.9	(4.9)	5.9
Health Care	3.5		3.5
Communication Services	2.8	(0.3)	2.5
Real Estate	2.1		2.1
Consumer Staples	0.4	(0.3)	0.1
Other		(0.4)	(0.4)
Sub-Total	79.7	(12.2)	67.5
Cash	20.3	12.2	32.5
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

- The portfolio delivered a positive return for the month as markets rebounded.*
- For the calendar year to date, shorts have provided considerable cushioning in weak markets.
- Looking forward, there are exciting opportunities on the long side, but we expect further broad market weakness.

Market Commentary

Last month, we noted that “this has been one of the most extraordinary times in markets that the portfolio has seen”. October was no exception. The battle to control inflation continues in the US, with rapid increases in interest rates coincident with the consumer price index hitting a 40-year high (Source: Bloomberg). The rate rises are causing real damage to the economy, and we believe that respite is a long way off, given the risk of reigniting inflationary pressures. October was unusual in that US 10-year Treasury yields, forecasts for the peak in interest rates, and equities all rose. With the Dow Jones Industrial Average adding 14% and the Nasdaq rising only 4%, we are seeing further signs that confirm 2022’s distinct change in market leadership (Source: FactSet).

History now shows we had an extraordinary speculative bull market in the US that was driven by a huge torrent of money. We expect a long and volatile bear market with similar losses to other major cycles. We see a very difficult period ahead for corporate profits and earnings. With funding markets tighter, many business models that are reliant on easy money are now compromised, and there are several opportunities to short here.

China remains in a different part of its economic cycle than the West. We were surprised at the markets’ reaction to President Xi Jinping cementing his leadership at the 20th National Congress of the Chinese Communist Party. Foreign investors are cautious compared with local investors, as can be seen in the premium of onshore Chinese-listed companies over those offshore. The Chinese market has performed broadly in line with Korea and broad European indices for the calendar year to date (source: MSCI), but it attracts much more negative commentary from the Western media.

In recent weeks, our net exposure rose to ~68% by reducing our short book, which remains dynamic and aims to protect capital. We continue to buy stocks that we think offer good value, but also hold more cash than we have historically, as we are cognisant of likely opportunities ahead.

We remain excited by opportunities across decarbonisation, semiconductors, travel, Chinese consumers, European financials, and growth industrials. The short book is a collection of stocks with what we see as alarming fundamentals and/or valuations, mostly 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 9% to returns for the calendar year to date, 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 -10% calendar year-to-date 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), Beazley (specialist insurer), and Shell (energy).

Valuation

The portfolio’s aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 58% higher starting earnings yield and a 46% discount on an asset basis (see table below).

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	10.9% (Price-to-Earnings ratio of 9.2x)	6.9% (Price-to-Earnings ratio of 14.4x)
NTM Dividend Yield	3.7%	2.9%
Price-to-Book Ratio	1.3x	2.4x
Enterprise Value-to-Sales	1.4x	1.6x

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 October 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.