

FACTS¹

Market capitalisation	\$378.99 mn
Listing date	29 June 1994
Current share price	\$1.285
Current dividend yield	4.67%
Pre-tax NTA	\$1.5130
Post-tax NTA	\$1.5011
Maximum franked dividend	7.70 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)	1.4	0.6	0.2	5.1	5.1	2.2	5.1	6.7	6.9	6.6	10.9
MSCI %	1.8	5.0	4.6	21.4	21.4	3.1	10.2	12.4	11.0	10.9	7.6

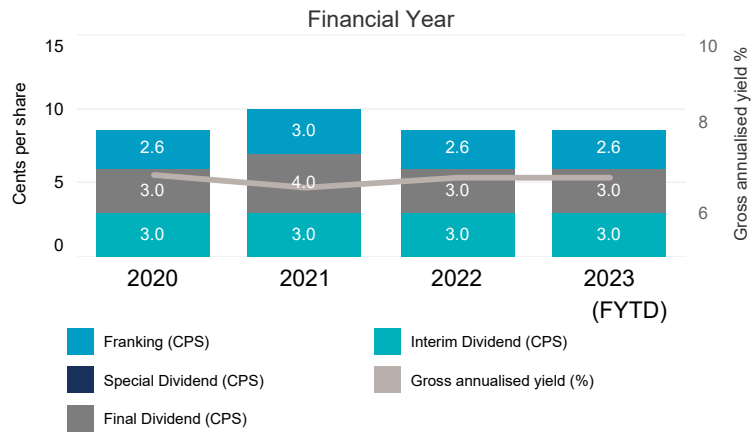
PMC's returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assume the reinvestment of dividends. PMC's returns have not been calculated using PMC's share price. Past performance is not a reliable indicator of future returns.

INVESTED POSITIONS⁴

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	39.6	(0.9)	38.8	60.2
Australia	3.8		3.8	4.9
China	17.7		17.7	17.7
Hong Kong				1.2
India	2.1		2.1	2.1
Japan	8.6	(0.5)	8.2	27.3
South Korea	4.1	(0.1)	3.9	3.9
Taiwan	1.8	(0.2)	1.6	1.6
Other Asia-Pacific	1.5		1.5	1.5
Europe	25.1		25.1	25.8
Austria	1.3		1.3	
Euro				14.2
Finland	2.9		2.9	
France	4.6		4.6	
Germany	1.3		1.3	
Italy	1.4		1.4	
Netherlands	1.6		1.6	
Switzerland	3.2		3.2	3.2
United Kingdom	8.1		8.1	8.2
Other Europe	0.7		0.7	0.2
North America	17.5	(6.9)	10.7	11.2
Canada	2.3		2.3	2.3
United States of America	15.2	(6.9)	8.3	8.8
Other	2.7		2.7	2.8
Sub-Total	85.0	(7.7)	77.3	100.0
Cash	15.0	7.7	22.7	
Total	100.0		100.0	100.0

Long - 120 stocks, 1 swap, 2 other Short - 24 swaps

HISTORY OF FULLY FRANKED DIVIDENDS (CPS)³



TOP TEN POSITIONS⁵

STOCK	COUNTRY	INDUSTRY	%
Allfunds Group Plc	UK	Financials	3.3
UBS Group AG	Switzerland	Financials	3.2
Samsung Electronics Co	South Korea	Info Technology	3.1
ZTO Express Cayman Inc	China	Industrials	3.0
UPM-Kymmene OYJ	Finland	Materials	2.9
Minebea Co Ltd	Japan	Industrials	2.5
Airbus SE	France	Industrials	2.2
Suzano SA	Brazil	Materials	2.1
InterGlobe Aviation Ltd	India	Industrials	2.1
Intercontinental Exchange	United States	Financials	2.0
Total			26.4

INDUSTRY BREAKDOWN⁴

SECTOR	LONG %	SHORT %	NET %
Financials	15.8		15.7
Industrials	18.0	(2.6)	15.4
Materials	10.2	(0.1)	10.1
Information Technology	11.7	(2.4)	9.3
Consumer Discretionary	10.9	(2.0)	8.9
Energy	6.2		6.2
Real Estate	3.1		3.1
Communication Services	3.5	(0.6)	2.9
Health Care	2.7		2.7
Consumer Staples	2.7		2.7
Utilities	0.2		0.2
Sub-Total	85.0	(7.7)	77.3
Cash	15.0	7.7	22.7
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 determined in respect of the relevant financial year. This information is historical. No guarantee is given about future dividends or the level of franking of such dividends.

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 returned +1.4% for the month of December 2023.
- As at 31 December 2023, the portfolio was around 86% long and the short book had decreased to 8%.

Market Commentary

US equities were again higher in December fuelled by the soft landing momentum and Fed rate cut expectations. The gains were broad based and the equal-weight S&P outperformed the cap-weighted index. The small-cap Russell 2000 posted its best month since November 2020. These moves reflected investors rotating into cyclical stocks (source: Factset) and being less enthused with the “Magnificent Seven” stocks that rallied over 75% in 2023 (source: Bloomberg). M&A announcements also picked up in December with some of the biggest announcements including Nippon Steel’s acquisition of US Steel for ~US\$15bn, Occidental Petroleum’s acquisition of CrownRock for ~US\$12bn, Paramount and Warner Bros in merger talks and Adobe abandoning its plans to acquire Figma for ~US\$20bn given regulatory challenges.

European equity markets were higher in December, continuing the disinflation and peak rates narrative from November. The US Federal Reserve’s policy pivot only fuelled speculation over rate cuts. Markets are pricing in ~150bps worth of rate cuts for the European Central Bank and ~125bps for the Bank of England in 2024. These expectations for rate cuts have led to a more positive outlook on European equities from both sell and buy side institutions.

China’s stock market finished the month largely flat after the Hang Seng China Enterprises Index gained ~5% in the final week of the year. While economic data remains mixed, there are some bright spots in the Chinese economy. Most notably, China has overtaken Japan as the world’s largest car exporter. Our investments in China remain selective, focused on well-run companies with competitive moats.

2024 – a year of elections and uncertainty?

It would be fair to say that 2024 is shaping up to be a year of increasing uncertainty. In 2023 we saw the continuation of the Russia/Ukraine conflict, followed by the Hamas/Israel conflict and now increasing tensions between Iran and the US over Iran-backed Houthi rebels attacking ships in the Red Sea – which handles about 12% of the world’s commerce (source: The Australian Financial Review).

In 2024 we will see more than 70 elections in countries covering 4.2bn people, approximately 50% of the world’s population (source: The Economist). While many of these elections will be routine, we have seen the rise of fringe parties, particularly in Europe, causing election upsets i.e. the Dutch election in November 2023. The Taiwanese election in January 2024 could help shape US-China relations over the next few years. The US Presidential Election will be held in November 2024.

Risk management is important when it comes to these periods of heightened uncertainty. We know that many people’s natural reaction is to exit equity positions which does not help to build wealth over the long term. Platinum constructs a truly diversified portfolio of stocks that have good long-term growth prospects that we seek to buy at reasonable valuations. We’re also able to hold cash and short sell stocks that we think are overvalued or structurally challenged. It is these risk management levers that have produced strong long term returns and protected clients’ capital during downturns and other similar periods of heightened uncertainty.

Performance Analysis*

For the month our biggest contributors to performance were platform provider, Allfunds, Austrian bank, Raiffeisen Bank and US credit bureau, TransUnion. Detractors included Chinese technology company Tencent Holdings and Chinese parcel delivery service ZTO Express.

Valuation

The portfolio’s aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a ~35% higher starting earnings yield and a near 40% discount on the price-to-book ratio (see table below).

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.1% (Price-to-Earnings ratio of 12.3x)	6.0% (Price-to-Earnings ratio of 16.6x)
NTM Dividend Yield	2.8%	2.6%
NTM Enterprise Value-to-Sales	1.5x	2.2x
LTM Price-to-Book Ratio	1.6x	2.6x

The valuations in the table have been calculated by Platinum refer to the long portion of the portfolio, exclude negative net earnings and use FactSet consensus earnings. MSCI data is sourced from Rimes, FactSet and Platinum. As at 31 December 2023. NTM = next twelve months. LTM = last twelve months.

*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.**