7 September 2021

The Manager
ASX Market Announcements
Australian Securities Exchange Limited
Sydney NSW 2000

Monthly Net Tangible Asset Update

The unaudited **pre-tax** net tangible asset (***pre-tax NTA***) backing per share of Platinum Capital Limited (***PMC***) as at 31 August 2021 was $1.6260 per share (as at 31 July 2021 it was $1.6551).

The unaudited **post-tax** net tangible asset (***post-tax NTA***) backing per share of PMC as at 31 August 2021 was $1.5557 per share (as at 31 July 2021 it was $1.5869).

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.

At 31 August 2021, the PMC share price was $1.455.

The 31 August 2021 monthly update for PMC is attached to this announcement. For more information in relation to PMC please refer to the website at:

www.platinum.com.au/Our-Products/All-Products/Platinum-Capital-Limited

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Platinum Capital Limited ASX: PMC

MONTHLY REPORT **31 August 2021**

FACTS

Portfolio value	$486.72 mn
Portfolio commenced	29 June 1994
Current share price	$1.455
Current dividend yield	4.81%
Pre-tax NTA	$1.6260
Post-tax NTA	$1.5557
Maximum franked dividend	4.81 cps
NTA retained earnings & div profit resv.	22.31 cps

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$))

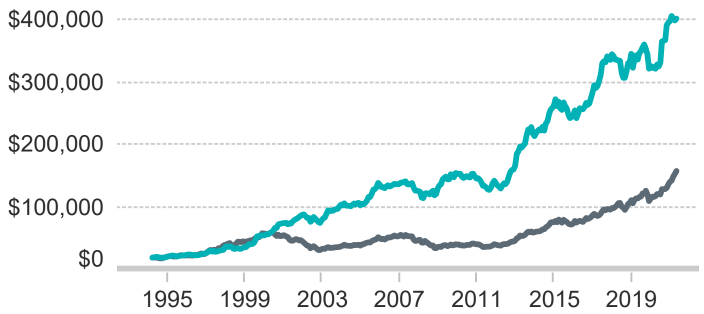
*The portfolio value is the market value of the investments in the portfolio after the deduction of fees and expenses, adjusted for taxes, corporate actions and dividends.

PERFORMANCE[1]

	Company % (Pre-tax NTA)	MSCI %
1 month	0.7	3.1
3 months	(1.0)	10.8
6 months	2.6	20.6
Calendar year to date	9.7	22.4
1 year	22.3	30.2
2 years (compound pa)	9.3	17.6
3 years (compound pa)	6.3	13.9
5 years (compound pa)	9.2	14.9
7 years (compound pa)	8.8	14.0
10 years (compound pa)	11.5	15.6
Since inception (compound pa)	11.7	7.9

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.**

PERFORMANCE GRAPH[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.**

PMC (Pre-tax NTA)	1917.9%
MSCI	696.3%

INVESTED POSITIONS[3]

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	46.2		46.2	46.4
Australia	3.3		3.3	3.4
China	19.6		19.6	19.6
Hong Kong	2.4		2.4	2.4
India	2.3		2.3	2.3
Japan	13.5		13.5	13.7
South Korea	4.8		4.8	4.8
Thailand	0.2		0.2	0.2
Europe	22.2		22.1	22.0
Austria	1.6		1.6	
Belgium	0.1		0.1	
Denmark	0.4		0.4	0.4
Finland	2.7		2.7	
France	3.7		3.7	
Germany	4.2		4.2	
Hungary	0.1		0.1	0.1
Ireland	1.5		1.5	
Italy	1.8		1.8	
Norway	0.4		0.4	0.4
Spain	1.0		1.0	
Sweden	0.1		0.1	0.1
Switzerland	0.1		0.1	0.1
United Kingdom	4.8		4.8	5.2
Euro				15.7
North America	21.9	(6.5)	15.3	29.5
Canada	3.3		3.3	6.4
United States of America	18.5	(6.5)	12.0	23.1
Other	2.1		2.1	2.1
Sub-Total	92.3	(6.6)	85.7	100.0
Cash	7.7	6.6	14.3	
Total	100.0		100.0	100.0

Long - 126 stocks, 2 swaps Short - 13 swaps, 1 index

TOP TEN POSITIONS[4]

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co	South Korea	Info Technology	3.0
ZTO Express Cayman Inc	China	Industrials	3.0
Weichai Power Co Ltd	China	Industrials	3.0
Glencore PLC	Australia	Materials	2.9
Minebea Co Ltd	Japan	Industrials	2.9
Microchip Technology Inc	United States	Info Technology	2.9
UPM-Kymmene OYJ	Finland	Materials	2.7
AIA Group Ltd	Hong Kong	Financials	2.4
Micron Technology Inc	United States	Info Technology	2.4
China Overseas Land & Inv	China	Real Estate	2.2
		Total	27.3

INDUSTRY BREAKDOWN[3]

SECTOR	LONG %	SHORT %	NET %
Industrials	20.7		20.7
Financials	15.8		15.8
Materials	14.9		14.9
Information Technology	13.3	(0.8)	12.4
Consumer Discretionary	12.2	(0.7)	11.5
Health Care	6.4	(0.5)	5.9
Communication Services	4.2		4.2
Real Estate	3.1		3.1
Consumer Staples	1.2	(0.2)	1.0
Energy	0.4		0.4
Other		(4.2)	(4.2)

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).

Platinum Capital Limited ASX: PMC

MONTHLY REPORT **31 August 2021**

Platinum ASSET MANAGEMENT

MARKET UPDATE AND COMMENTARY

- The portfolio's one-year performance remains well above long-term averages despite the recent pause.
- Market dynamics may be setting up a more sustained repeat of the November - February "preview".
- The portfolio remains heavily skewed to 'growth industrials' and broader cyclicals, given valuations and prospects.

Today, it feels like the market is giving patient investors a "*second bite at the cherry*".

To recap, as late as December 2018, US 10-year bonds were yielding 3%, falling to 1.5% ahead of the COVID-induced sell-off in February 2020, and as low as 0.5% in August last year (Source: FactSet). This ever-lower bond yield continued to encourage investors to chase growth and defensive stocks, perpetuating a decade-long trend in markets.

Meanwhile, a long period of austerity post the global financial crisis (GFC), various reforms in China, and a trade war, had seen rolling industrial recessions, and despite economically sensitive stocks becoming ever cheaper, a pandemic was the last thing they needed.

We accumulated various groups of stocks as they were impacted by transient events, most notably, semiconductors during the trade war and travel-related stocks as lockdowns and border closures provided a temporary setback. The term 'growth industrials' can be applied to large swathes of the portfolio, where a structural growth driver has been obscured by near-term cyclicality.

We have also previously observed that some of the biggest trends in the coming decade include decarbonisation, automation and an infrastructure (re)build, which will likely benefit industrial businesses.

The portfolio skew towards cyclicals and away from defensives, by our own classification, is as extreme as at any time in the last decade, other than when cyclicals ran hard between November 2020 and March 2021, triggered by vaccine approval and associated global reopening optimism, and before we took profits from that run-up.

We believe that period, which saw US 10-year bond yields rising to 1.7% by March (Source: FactSet), was a precursor to what might lie ahead. Inflationary pressures are evident, but the market consensus is that these are transient. However, as labour markets tighten, the impacts of record money printing take hold, and government austerity is less politically palatable, we believe rising inflation may be more long-lasting.

'Growth industrials' have depressed profitability and a valuation gap wider than we saw in the technology bubble of the late 1990s. This is a very compelling investment opportunity to us, and explains the portfolio's positioning. Over half of the portfolio is invested in semiconductors, materials, industrials (including travel) and banks. This collection of companies has driven returns over the last 12 months. Indeed, the rest of the portfolio has made no meaningful contribution in aggregate over the same period.

It has, however, been a "*game of two halves*", with the portfolio returning 19% in the six months to February, and then "pausing for breath", rising only a further 3% in the last six months. It is worth noting that the US 10-year bond was trading back as low as 1.1% during August (Source: FactSet). It is fair to say, that the portfolio is likely to perform better when the 10-year bond yield is rising rather than falling, in the near term.

With these cyclical sectors driving returns, and the long portfolio in totality adding 30%* to returns over the last 12 months, the disappointments have been losses on short positions designed to reduce the overall level of risk in the portfolio, and near-term mark-to-market losses on Chinese stocks (still positive over one year) in the face of the market expressing concerns about what we see as an ongoing and considered approach to regulatory reform.[1] We view this as a buying opportunity.

The biggest winners in the portfolio at a stock level over the last year were dominated by semiconductors (Samsung Electronics, Micron and Microchip), industrials (General Electric, MinebeaMitsumi, Weichai Power), materials (Glencore, Freeport McMoRan, First Quantum Minerals), and Ally Financial.

The portfolio's aggregate valuation metrics, for what it's worth, are attractive in an absolute sense, and relative to the market, with a 48% higher starting earning yield, and a 41% discount on an asset basis.

Metric	Platinum Capital Limited	MSCI AC World Net Index (A$)
NTM Earnings Yield	8.3% (Price-to-Earnings ratio of 12x)	5.6% (Price-to-Earnings ratio of 18x)
NTM Dividend Yield	2.7%	2.4%
Price-to-Book Ratio	1.6x	2.7x
Enterprise Value-to-Sales	1.3x	1.9x

The valuations in the table in respect of the portfolio have been calculated by Platinum and refer to its long portion, exclude negative net earnings, and use FactSet consensus earnings. As at 31 August 2021.

*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 Company's fees and costs (other than brokerage). Past performance is not a reliable indicator of future returns.

[1] See: https://www.platinum.com.au/Insights-Tools/The-Journal/In-Focus-China and https://www.platinum.com.au/Insights-Tools/The-Journal/China-Time-to-Run-or-Time-to-be-Bold