

## FACTS

Portfolio value	\$480.05 mn
Portfolio commenced	29 June 1994
Current share price	\$1.495
Current dividend yield	4.68%
Pre-tax NTA	\$1.6374
Post-tax NTA	\$1.5725
Maximum franked dividend	7.06 cps
NTA retained earnings & div profit resv.	23.69 cps

## PERFORMANCE<sup>1</sup>

	Company % (Pre-tax NTA)	MSCI %
1 month	1.6	1.4
3 months	1.7	6.0
6 months	1.3	9.0
Calendar year to date	11.2	25.8
1 year	11.2	25.8
2 years (compound pa)	6.3	15.4
3 years (compound pa)	9.9	19.1
5 years (compound pa)	8.8	14.3
7 years (compound pa)	8.0	12.8
10 years (compound pa)	12.2	15.8
Since inception (compound pa)	11.6	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.

## INVESTED POSITIONS<sup>3</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	46.9		46.9	43.6
Australia	6.2		6.2	6.3
China	18.7		18.7	18.7
Hong Kong	1.8		1.8	1.8
India	2.0		2.0	2.0
Japan	13.3		13.3	9.9
Kazakhstan	0.2		0.2	0.2
South Korea	4.5		4.5	4.5
Thailand	0.2		0.2	0.2
<b>Europe</b>	20.5	(0.8)	19.7	22.9
Austria	1.7		1.7	
Denmark	0.4		0.4	0.4
Finland	2.4		2.4	
France	2.9	(0.4)	2.4	
Germany	3.9	(0.2)	3.7	
Ireland	0.9		0.9	
Italy	1.3		1.3	
Netherlands	0.2		0.2	
Norway	0.2		0.2	0.2
Spain	0.6		0.6	
Switzerland		(0.2)	(0.2)	
United Kingdom	6.0		6.0	6.0
Euro				16.2
<b>North America</b>	19.9	(21.5)	(1.5)	30.5
Canada	1.6		1.6	4.7
United States of America	18.3	(21.5)	(3.1)	25.8
<b>Other</b>	2.9		2.9	3.0
<b>Sub-Total</b>	90.3	(22.3)	68.0	100.0
<b>Cash</b>	9.7	22.3	32.0	
<b>Total</b>	100.0		100.0	100.0

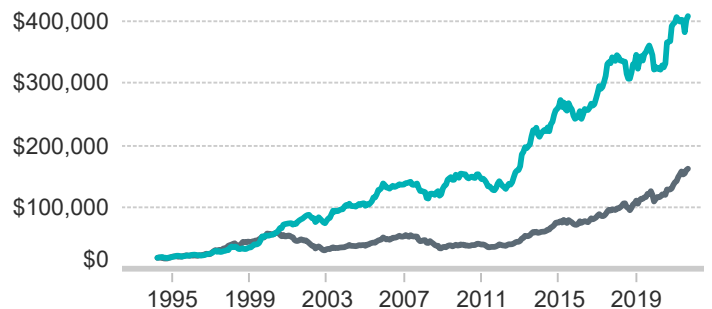
Long - 124 stocks, 2 swaps, 1 option Short - 24 swaps, 2 indices

## 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 GRAPH<sup>2</sup>



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## TOP TEN POSITIONS<sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
Minebea Co Ltd	Japan	Industrials	3.4
Microchip Technology Inc	United States	Info Technology	3.2
Micron Technology Inc	United States	Info Technology	3.0
Iris Energy Ltd	Australia	Info Technology	2.9
Samsung Electronics Co	South Korea	Info Technology	2.9
ZTO Express Cayman Inc	China	Industrials	2.8
Glencore PLC	Australia	Materials	2.7
Tencent Holdings Ltd	China	Comm Services	2.5
Weichai Power Co Ltd	China	Industrials	2.4
Ping An Insurance Group	China	Financials	2.4
<b>Total</b>			28.4

## INDUSTRY BREAKDOWN<sup>3</sup>

SECTOR	LONG %	SHORT %	NET %
Industrials	19.1	(0.1)	18.9
Financials	14.8		14.8
Information Technology	15.9	(2.0)	13.9
Materials	13.3	(0.1)	13.2
Consumer Discretionary	11.6	(1.8)	9.9
Communication Services	5.8	(0.1)	5.7
Health Care	5.0	(0.3)	4.8
Real Estate	3.0		3.0
Consumer Staples	1.1		1.0
Energy	0.6		0.6
Other		(17.9)	(17.9)

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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 "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 exposure to long and short securities and long and short securities/index derivative positions, each as a percentage of PMC's portfolio value. The "Currency %" 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".

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

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

- Market bifurcation is extreme, creating opportunities to add value on the long and short side.
- 2021 returns were consistent with long-term expectations and efforts to avoid permanent impairment of capital.
- Quarterly report (to be released on 21 January) provides more detail on the macro backdrop and portfolio positioning.

### Market Commentary

The monthly evolution of the market narrative is slow. We continue to highlight a valuation chasm between speculative stocks and everything else, that reminds us of 1999/2000. For 18 months or so, we have talked about the risks of inflation and it feels like there is now more acceptance of this view. We have held the line on our view that Chinese reform is a continuation of a decade-long process where the government acts and then has a tendency to relax a little – this is happening in property currently – creating entry points.

The key thing to watch is the booming US labour market, which will indicate if we are on the cusp of a stickier period of rising prices – rising wages, skills shortages and strikes are starting to point the bond market to higher rates more imminently than previously thought. This would not be good for the more speculative stocks – which have seen some crazy events in the last couple of years.

The “market” as referred to via conventional indices, is increasingly dominated by a small group of six large US companies – Alphabet (was Google), Amazon, Apple, Meta Platforms (was Facebook), Microsoft and Tesla. Last year, this group, which trades on an average P/E of about 36x (triple that of our portfolio) returned an average of 41%/47% (in US\$/A\$) and now has a combined market capitalisation of US\$11.5 trillion – more than any stock market outside the US, including Shanghai, Tokyo or London (as at 31 December 2021). Three of these companies – Apple, Microsoft and Alphabet were each individually worth more than all listed Australian businesses combined (Source: FactSet).

These companies mask the weaker performance of stocks in general – markets outside the US offered only 8%/14% (in US\$/A\$) in 2021 (Source: FactSet). Successive waves of higher interest rates have shown up weaknesses in valuation arguments in hotter areas; we expect this to continue in 2022. With this in mind, we continue to take a dynamic approach to opportunities to short-sell, an element of the strategy that tends to contribute most in major sell-offs. The long portfolio’s key themes include decarbonisation, travel, semiconductors and Chinese growth.

### Performance Analysis

The portfolio returned 11% in 2021. This was predominantly driven by its cyclical exposures, particularly when one considers that the technology exposures are generally semiconductor companies. For all the perceived challenges in China, portfolio exposure to that market cost only 1% over the year; China has made a phenomenal contribution to returns since we made it the largest country exposure in 2014. The net impact of risk management - short-selling and actively managed currency positions - was a cost of 1%. Notably this was dominated by attempts to protect the portfolio using the highly valued Nasdaq index. Individual company shorts and FX both added value.

The top 10 contributors in 2021 added 10% combined and all but two were cyclical, including miners (Glencore, Freeport-McMoRan), financials (Ally Financial, Raiffeisen Bank), semiconductors (Micron, Microchip and industrials (Minebea, Louisiana Pacific). The two exceptions are Zimbabwean telco, Econet Wireless and “green” bitcoin miner, Iris Energy bought pre-IPO.

### Valuation

The portfolio’s aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 47% higher starting earnings yield and a 39% discount on an asset basis (see table below). Analyst forecasts suggest the portfolio has marginally higher growth prospects over the next two years than the broader market.

Metric	Platinum Capital Limited	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.1% (Price-to-Earnings ratio of 12x)	5.5% (Price-to-Earnings ratio of 18x)
NTM Dividend Yield	2.6%	2.5%
Price-to-Book Ratio	1.7x	2.8x
Enterprise Value-to-Sales	1.3x	2.1x

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 December 2021.

With the concentration of interest in the six big companies mentioned previously (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Tesla) and ultra-low bond yields, broader context comes from comparing this to two-years ago, recalling that by the end of January 2020, we were dealing with a virus outbreak in China. At that time, we were concerned about the level of speculation in high-growth areas. The earnings yield of the portfolio has stayed flat while alternatives have declined over this period.

Asset	NTM Earnings Yield (31.12.19)	NTM Earnings Yield (31.12.21)	Reduction in Earnings Yield
Platinum Capital Limited	8.1%	8.1%	-
MSCI AC World Index	6.1%	5.5%	10%
“Big 6” average	3.3%	2.8%	15%
US 10-year bond	1.9%	1.5%	21%

Source: FactSet