For personal use only

8 October 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 30 September 2021 was $1.6206 per share (as at 31 August 2021 it was $1.6260).

The unaudited **post-tax** net tangible asset (***post-tax NTA***) backing per share of PMC as at 30 September 2021 was $1.5527 per share (as at 31 August 2021 it was $1.5557).

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 30 September 2021, the PMC share price was $1.41.

The 30 September 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

*Authorised by*
Joanne Jefferies | Company Secretary

*Investor contact*
Elizabeth Norman | Director of Investor Services and Communications
Platinum Investment Management Limited
Tel: 61 2 9255 7500
Fax: 61 2 9254 5555

# Platinum Capital Limited

ASX: PMC

MONTHLY REPORT **30 September 2021**

## FACTS

| | |
|---|---|
| Portfolio value | $475.27 mn |
| Portfolio commenced | 29 June 1994 |
| Current share price | $1.410 |
| Current dividend yield | 4.96% |
| Pre-tax NTA | $1.6206 |
| Post-tax NTA | $1.5527 |
| Maximum franked dividend | 3.70 cps |
| NTA retained earnings & div profit resv. | 21.71 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$)) |

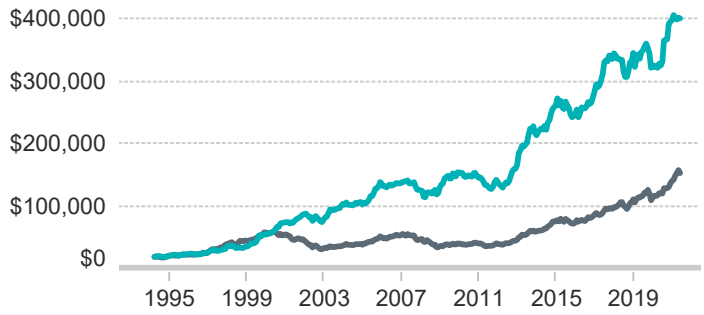
*The portfolio value is the market value of the investments in the portfolio after the deduction of fees and expenses, adjusted for taxes, corporate actions and dividends.

## PERFORMANCE[1]

| | Company % (Pre-tax NTA) | MSCI % |
|---|---|---|
| 1 month | (0.3) | (3.0) |
| 3 months | (0.4) | 2.8 |
| 6 months | 1.3 | 12.0 |
| Calendar year to date | 9.4 | 18.7 |
| 1 year | 23.1 | 26.4 |
| 2 years (compound pa) | 7.5 | 14.6 |
| 3 years (compound pa) | 6.2 | 12.6 |
| 5 years (compound pa) | 9.3 | 14.5 |
| 7 years (compound pa) | 8.3 | 13.0 |
| 10 years (compound pa) | 11.5 | 15.3 |
| Since inception (compound pa) | 11.6 | 7.8 |

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) | 1912.2% |
| MSCI | 672.4% |

## INVESTED POSITIONS[3]

| | LONG % | SHORT % | NET % | CCY % |
|---|---|---|---|---|
| **Asia-Pacific** | 45.7 | | 45.7 | 46.8 |
| Australia | 3.4 | | 3.4 | 3.5 |
| China | 19.6 | | 19.6 | 19.6 |
| Hong Kong | 2.2 | | 2.2 | 2.3 |
| India | 1.6 | | 1.6 | 1.9 |
| Japan | 13.7 | | 13.7 | 14.4 |
| Kazakhstan | 0.2 | | 0.2 | 0.2 |
| South Korea | 4.8 | | 4.8 | 4.8 |
| Thailand | 0.2 | | 0.2 | 0.2 |
| **Europe** | 21.6 | | 21.6 | 22.5 |
| Austria | 1.8 | | 1.8 | |
| Denmark | 0.4 | | 0.4 | 0.4 |
| Finland | 2.4 | | 2.4 | |
| France | 3.8 | | 3.8 | |
| Germany | 4.3 | | 4.3 | |
| Hungary | 0.1 | | 0.1 | 0.1 |
| Ireland | 1.1 | | 1.1 | |
| Italy | 1.6 | | 1.6 | |
| Norway | 0.4 | | 0.4 | 0.4 |
| Spain | 0.9 | | 0.9 | |
| Sweden | 0.1 | | 0.1 | 0.1 |
| United Kingdom | 4.7 | | 4.6 | 5.0 |
| Euro | | | | 16.3 |
| **North America** | 19.9 | (18.0) | 2.0 | 28.6 |
| Canada | 2.9 | | 2.9 | 6.1 |
| United States of America | 17.0 | (18.0) | (1.0) | 22.4 |
| **Other** | 2.1 | | 2.1 | 2.1 |
| **Sub-Total** | 89.4 | (18.0) | 71.4 | 100.0 |
| **Cash** | 10.6 | 18.0 | 28.6 | |
| **Total** | 100.0 | | 100.0 | 100.0 |

Long - 126 stocks, 2 swaps Short - 18 swaps, 3 indices

## TOP TEN POSITIONS[4]

| STOCK | COUNTRY | INDUSTRY | % |
|---|---|---|---|
| ZTO Express Cayman Inc | China | Industrials | 3.3 |
| Glencore PLC | Australia | Materials | 3.0 |
| Samsung Electronics Co | South Korea | Info Technology | 2.9 |
| Minebea Co Ltd | Japan | Industrials | 2.9 |
| Microchip Technology Inc | United States | Info Technology | 2.8 |
| Weichai Power Co Ltd | China | Industrials | 2.6 |
| Tencent Holdings Ltd | China | Comm Services | 2.6 |
| UPM-Kymmene OYJ | Finland | Materials | 2.4 |
| Micron Technology Inc | United States | Info Technology | 2.3 |
| Ping An Insurance Group | China | Financials | 2.3 |
| | | **Total** | 27.0 |

## INDUSTRY BREAKDOWN[3]

| SECTOR | LONG % | SHORT % | NET % |
|---|---|---|---|
| Industrials | 19.5 | (0.1) | 19.4 |
| Financials | 14.5 | | 14.5 |
| Materials | 14.3 | | 14.3 |
| Consumer Discretionary | 12.0 | (0.8) | 11.2 |
| Information Technology | 12.8 | (2.5) | 10.3 |
| Health Care | 6.4 | (0.7) | 5.7 |
| Communication Services | 4.9 | (0.1) | 4.9 |
| Real Estate | 3.1 | | 3.1 |
| Consumer Staples | 1.2 | (0.1) | 1.0 |
| Energy | 0.7 | | 0.7 |
| Other | | (13.7) | (13.7) |

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management ("Platinum") is the investment manager of Platinum Capital Limited ("PMC"). This information is general in nature and does not take into account your specific needs or circumstances. You should consider your own financial position, objectives and requirements and seek professional financial advice before making any financial decisions. Numerical figures have been subject to rounding. Neither PMC nor Platinum, guarantee the performance of PMC, the repayment of capital or the payment of income. The market commentary reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by PMC or Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by PMC or Platinum for any loss or damage as a result of any reliance on this information.

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).

All data where MSCI is referenced is the property of MSCI Limited ("MSCI"). No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in https://www.platinum.com.au/Special-Pages/Terms-Conditions

## MARKET UPDATE AND COMMENTARY

- The portfolio's one-year performance remains well above long-term averages despite the recent pause.
- Despite concerns many express around China, there has been minimal impact on portfolio returns.
- The portfolio's cyclical bias aligns with visible evidence of strong economies and rising inflationary pressures.

Market Commentary

China's reform program, built around the idea of "Common Prosperity" has continued to scare foreign investors as its direct implementation has impacted big technology, education and the property sector, with Evergrande's financial woes widely covered, but not unexpected, and indeed, a direct result of policy. The danger for Western investors is to not be willing to look at China through a different lens. This is not helped by the media.

This, along with a debate about whether increasing signs of inflationary pressure is a transient or longer-lasting issue, are two of the key topics of debate in the market at present. The implications of higher rates have tended to coincide with bouts of more enthusiasm for economically sensitive companies. This is consistent with the market backing away from the "lower for ever" inflation and rates narrative, which has favoured the opposite i.e. growth and defensives.

We have talked at length about these issues, along with the relative attraction of more cyclical companies, which have been overlooked as investors chased growth stocks to ever-higher levels. In a world where money is 'free', the disruptors are seen to have fewer barriers to their ultimate success than they would do, if money was less readily available. The upcoming Quarterly Report will address the market backdrop in more detail.

With one eye on protection, there was a swift increase in the size of the short book late in the month, as bond yields started to move higher, which has a tendency to put pressure on the market darlings, and our approach here continues to be dynamic.

Performance Analysis*

Over the last year, the portfolio's strong returns have been a function of its cyclical tilt. Two-thirds of the portfolio is in broad sectors that might be termed cyclical, being Energy & Materials, Financials & Real Estate, Industrials and Consumer Discretionary, with a further one-sixth in Technology, which has been dominated by semiconductor players, as opposed to the global platforms that capture most attention. There is very little in what would traditionally be seen as defensive sectors – i.e. Healthcare, Utilities and Consumer Staples.

Over the 12 months to 30 September, 22% of the return came from the six cyclical sectors described above, though only 3% of this was in the last six months. Additionally, the Technology contribution was 7% over the year, though none of this in the last six months. Collectively, this captures the major themes in the portfolio including Travel, Semiconductors, "Growth Industrials", Electric Vehicles and broader decarbonisation, Chinese consumer.

Semiconductors (Samsung, Micron and Microchip) and Resources (Glencore, First Quantum, Freeport McMoRan and Louisiana-Pacific) were seven of the top ten contributors over the year, along with Ally Financial, General Electric and Minebea.

Over the last quarter, despite the headlines, the Chinese stocks in the portfolio only had a 1% impact on returns, while they have made a contribution of 1% over the last year. The portfolio has been increasing its exposure to the world's largest physical economy during recent bouts of negative sentiment.

Valuation

The portfolio's aggregate valuation metrics, for what it's worth, are attractive in an absolute sense, and relative to the market, with a 43% higher starting earning yield, and a 39% 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) | 5.8% (Price-to-Earnings ratio of 17x) |
| **NTM Dividend Yield** | 2.8% | 2.5% |
| **Price-to-Book Ratio** | 1.7x | 2.8x |
| **Enterprise Value-to-Sales** | 1.4x | 2.0x |

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 30 September 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.

Lodged with the ASX