

# Platinum Investment Bond - APIR Code: LIF2561AU

## Platinum International Fund



MONTHLY REPORT 30 November 2022

### FACTS

|                               |                       |
|-------------------------------|-----------------------|
| Portfolio value               | \$1.24 mn             |
| Option commenced              | 23 March 2021         |
| Unit valuation                | Adelaide Business Day |
| Net asset value (\$ per unit) | \$1.0279              |

### PERFORMANCE OF PLATINUM INTERNATIONAL FUND<sup>1</sup>

|                               | Fund % | MSCI % |
|-------------------------------|--------|--------|
| 1 month                       | 7.9    | 2.9    |
| 3 months                      | 9.3    | 5.8    |
| 6 months                      | 5.1    | 4.4    |
| Calendar year to date         | 2.2    | (7.7)  |
| 1 year                        | 4.1    | (6.4)  |
| 2 years (compound pa)         | 6.3    | 7.7    |
| 3 years (compound pa)         | 5.3    | 7.0    |
| 5 years (compound pa)         | 4.3    | 9.1    |
| 7 years (compound pa)         | 6.9    | 9.7    |
| 10 years (compound pa)        | 11.5   | 13.6   |
| Since inception (compound pa) | 11.5   | 7.2    |

The returns shown are for the Platinum International Fund C Class (launched on 30 April 1995). It is one of the investment options available for investors in the Platinum Investment Bond, which was launched on 23 March 2021. Investors in the Platinum Investment Bond will not have experienced the returns prior to 23 March 2021 and the historical data is provided for information purposes only. **Past performance is not a reliable indicator of future returns.**

### INVESTED POSITIONS OF PLATINUM INTERNATIONAL FUND<sup>3</sup>

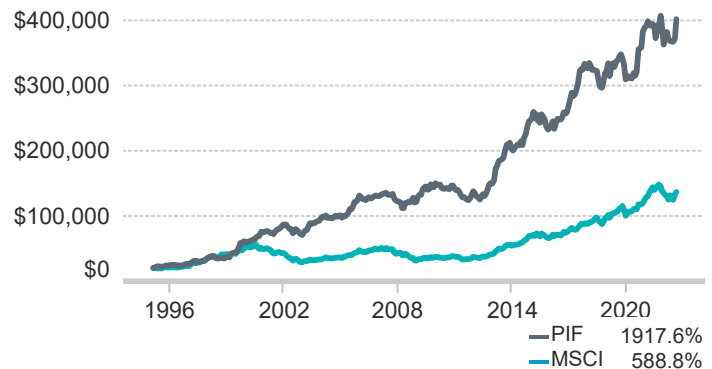
|                          | LONG % | SHORT % | NET % | CCY % |
|--------------------------|--------|---------|-------|-------|
| <b>Asia-Pacific</b>      | 36.6   | (4.3)   | 32.3  | 47.5  |
| Australia                | 2.0    | (2.0)   | (0.1) | 2.2   |
| China                    | 19.2   |         | 19.2  | 20.2  |
| Hong Kong                | 0.1    |         | 0.1   | 0.8   |
| Taiwan                   | 0.1    |         | 0.1   | 0.1   |
| India                    | 2.2    |         | 2.2   | 2.2   |
| Japan                    | 8.2    | (2.1)   | 6.1   | 18.7  |
| Kazakhstan               | 0.3    |         | 0.3   | 0.3   |
| New Zealand              |        | (0.1)   | (0.1) | (0.1) |
| South Korea              | 4.6    |         | 4.6   | 4.6   |
| China Renminbi Offshore  |        |         |       | (1.5) |
| <b>Europe</b>            | 27.1   | (0.1)   | 26.9  | 30.7  |
| Austria                  | 2.7    |         | 2.7   |       |
| Belgium                  | 0.1    |         | 0.1   |       |
| Denmark                  | 0.1    | (0.1)   |       | 0.1   |
| Finland                  | 3.0    |         | 3.0   |       |
| France                   | 3.2    |         | 3.2   |       |
| Germany                  | 4.4    |         | 4.4   |       |
| Ireland                  | 0.7    |         | 0.7   |       |
| Italy                    | 2.5    |         | 2.5   |       |
| Monaco                   | 0.4    |         | 0.4   |       |
| Netherlands              | 2.8    |         | 2.8   |       |
| Sweden                   | 0.1    |         | 0.1   | 0.1   |
| Switzerland              | 1.0    |         | 1.0   | 1.0   |
| United Kingdom           | 6.3    |         | 6.3   | 9.5   |
| Euro                     |        |         |       | 20.0  |
| <b>North America</b>     | 17.4   | (14.4)  | 3.0   | 19.8  |
| Canada                   | 2.0    |         | 2.0   | 2.4   |
| United States of America | 15.3   | (14.4)  | 1.0   | 17.4  |
| <b>Other</b>             | 2.0    |         | 2.0   | 2.0   |
| <b>Sub-Total</b>         | 83.0   | (18.8)  | 64.3  | 100.0 |
| <b>Cash</b>              | 17.0   | 18.8    | 35.7  |       |
| <b>Total</b>             | 100.0  |         | 100.0 | 100.0 |

Long - 125 stocks, 2 swaps, 1 option, 2 other Short - 35 swaps, 2 indices

### FEES

|                             |                        |
|-----------------------------|------------------------|
| Investment management fee   | 1.05% p.a.             |
| Administration fee          | 0.30% p.a.             |
| Investing transaction costs | 0.30% on contributions |

### PERFORMANCE GRAPH OF PLATINUM INTERNATIONAL FUND<sup>2</sup>



### TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND<sup>4</sup>

| STOCK                    | COUNTRY       | INDUSTRY        | %           |
|--------------------------|---------------|-----------------|-------------|
| ZTO Express Cayman Inc   | China         | Industrials     | 3.8         |
| Microchip Technology Inc | United States | Info Technology | 3.4         |
| UPM-Kymmene OYJ          | Finland       | Materials       | 3.0         |
| Ping An Insurance Group  | China         | Financials      | 2.8         |
| Minebea Co Ltd           | Japan         | Industrials     | 2.5         |
| Shell PLC                | Netherlands   | Energy          | 2.4         |
| LG Chem Ltd              | South Korea   | Materials       | 2.3         |
| Intesa Sanpaolo SpA      | Italy         | Financials      | 2.3         |
| Samsung Electronics Co   | South Korea   | Info Technology | 2.2         |
| InterGlobe Aviation Ltd  | India         | Industrials     | 2.2         |
| <b>Total</b>             |               |                 | <b>26.9</b> |

### INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND<sup>3</sup>

| SECTOR                 | LONG % | SHORT % | NET % |
|------------------------|--------|---------|-------|
| Industrials            | 17.7   | (1.5)   | 16.2  |
| Financials             | 15.5   | (1.3)   | 14.1  |
| Materials              | 10.2   |         | 10.2  |
| Consumer Discretionary | 11.8   | (4.0)   | 7.8   |
| Energy                 | 6.8    |         | 6.8   |
| Information Technology | 10.5   | (6.4)   | 4.1   |
| Health Care            | 3.7    |         | 3.7   |
| Communication Services | 3.8    | (0.9)   | 2.8   |
| Real Estate            | 2.6    |         | 2.6   |
| Consumer Staples       | 0.5    | (0.3)   | 0.2   |
| Other                  |        | (4.3)   | (4.3) |

The Platinum Investment Bond ("Bond") is an investment bond issued by Lifeplan Australia Friendly Society Limited ABN 78 087 649 492 AFSL 237989. Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 ("Platinum"), is the responsible entity of the Platinum International Fund ("PIF"), an underlying investment option of the Bond. The Bond's latest Product Disclosure Statement ("PDS") provides details about the Bond. You can obtain a copy of the PDS from Australian Unity's website [www.australianunity.com.au/platinum](http://www.australianunity.com.au/platinum), or by contacting their Investor Services on 1800 670 638. 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 are subject to rounding. Platinum does not guarantee the performance of the Bond or PIF, 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 Platinum as to their accuracy or reliability. To the extent permitted by law, no liability is accepted by Platinum for any loss or damage as a result of any reliance on this information.

1. & 2. Source: Platinum for PIF returns and Factset Research Systems for MSCI returns. Investment returns are calculated using PIF's NAV unit price (i.e. exclude a buy/sell spread), and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. The returns are calculated relative to the MSCI All Country World Net Index in A\$. The investment returns depicted in the graph are cumulative on A\$20,000 invested in PIF since inception (30 April 1995). **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 PIF's exposure to long securities and long securities/index derivative positions, the "Short %" is PIF's exposure to short securities and short securities/index derivative positions and the "Net %" is the difference between the "Long %" and the "Short %", each as a percentage of the market value of PIF's portfolio. The "Currency %" is the effective currency exposure of PIF's portfolio as a percentage of the market value of its portfolio, 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 PIF's top ten long securities positions as a percentage of the market value of PIF's portfolio (including long securities and long securities derivative positions).

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### MARKET UPDATE AND COMMENTARY

This commentary relates to the underlying fund, the Platinum International Fund.

- The Fund delivered a strong 8% return for the month and is up 2% for the calendar year to date in a down market.
- 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 remain wary of further market weakness.

#### Market Commentary

The Fund rallied strongly as Chinese markets bounced on continued stimulus announcements and the potential for an easing in COVID restrictions. China continues to be top of mind for investors. As we noted last month, we were surprised at the market's negative reaction to the 20<sup>th</sup> National Congress of the Chinese Communist Party. We continue to believe that China is a much under-owned and unloved stock market, and we remain confident in the Chinese businesses we hold. China remains in a different part of its economic cycle from economies in the West, and the government is taking clear steps to stimulate the economy, particularly the property sector. It appears the civil unrest over the COVID lockdowns has subsided, however, we will continue to monitor events.

It is clear to us that the rate rises in the US are causing real damage to the economy, and we believe that cuts are unlikely any time soon given the risk of reigniting inflationary pressures. The Chicago purchasing managers' index (PMI) reading of 37 in November, down from 45 the previous month and 52 just three months ago, indicates the weakness in the economy (Source: FactSet). The PMI is a monthly survey of purchasing managers in the manufacturing sector; a reading above 50 indicates an expansion in economic activity, while a reading below 50 indicates a contraction. Looking at the sector performance of the S&P 500 index during the month, there were further signs of a distinct change in market leadership in 2022, with materials and industrials leading the market higher and technology stocks lagging (Source: FactSet).

History now shows we had an extraordinary speculative bull market in the US that was driven by a massive amount of monetary and fiscal stimulus. 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. The bankruptcy of crypto exchange FTX could be one of the first dominoes to fall, marking the bottom of this cycle.

In recent weeks, our net exposure fell to 64% reflecting an increase in 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, 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 (CYTD), providing considerable cushioning. These were skewed towards expensive growth stocks, 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 -8% CYTD 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 CYTD include Glencore (mining, commodities trading), Mosaic (fertiliser), Beazley (specialist insurer), China Overseas Land & Investment (residential property developer), and Shell (energy).

#### 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 40% discount on an asset basis (see table below).

| Metric                    | Platinum International Fund             | MSCI AC World Net Index (A\$)           |
|---------------------------|---|---|
| NTM Earnings Yield        | 8.9% (Price-to-Earnings ratio of 11.2x) | 6.6% (Price-to-Earnings ratio of 15.1x) |
| NTM Dividend Yield        | 3.0%                                    | 2.7%                                    |
| Price-to-Book Ratio       | 1.5x                                    | 2.5x                                    |
| Enterprise Value-to-Sales | 1.3x                                    | 1.6x                                    |

The valuations in the table have been calculated by Platinum and for the Fund refer to the long portion of the portfolio, exclude negative net earnings and use FactSet consensus earnings. As at 30 November 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 Fund's fees and costs (other than brokerage). **Past performance is not a reliable indicator of future returns.**