

Platinum Investment Bond - APIR Code: LIF2561AU

Platinum International Fund



MONTHLY REPORT 31 May 2022

FACTS

Portfolio value	\$0.97 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$0.9941

PERFORMANCE OF PLATINUM INTERNATIONAL FUND¹

	Fund %	MSCI %
1 month	1.5	(0.8)
3 months	(1.7)	(4.8)
6 months	(1.0)	(10.4)
Calendar year to date	(2.8)	(11.7)
1 year	(4.1)	0.6
2 years (compound pa)	10.7	10.6
3 years (compound pa)	6.7	10.4
5 years (compound pa)	5.7	9.8
7 years (compound pa)	5.7	9.0
10 years (compound pa)	11.4	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 FUND³

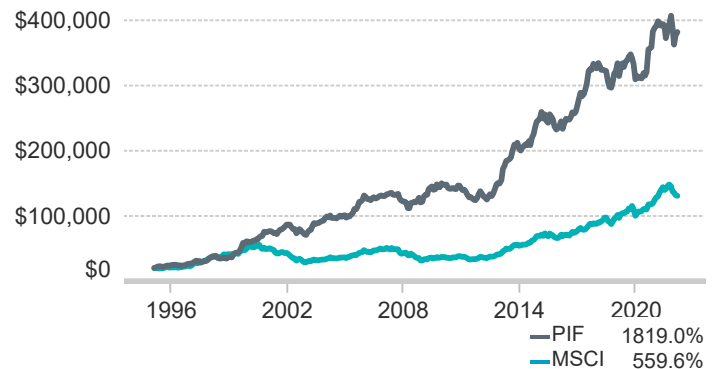
	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	36.1	(1.6)	34.5	43.4
Australia	3.8	(0.1)	3.6	3.9
China	16.6		16.6	17.6
Hong Kong				3.5
India	1.9		1.9	1.9
Japan	9.7	(1.4)	8.3	12.4
Kazakhstan	0.2		0.2	0.2
South Korea	3.8		3.8	3.8
Europe	24.7	(3.5)	21.1	25.6
Austria	1.9		1.9	
Belgium	0.1		0.1	
Denmark	0.2		0.2	0.2
Finland	2.4		2.4	
France	2.6		2.6	
Germany	4.6	(3.0)	1.6	
Ireland	0.8		0.8	
Italy	1.8		1.8	
Netherlands	2.3		2.3	
Other Europe		(0.6)	(0.6)	
Spain	0.5		0.5	
Switzerland	0.8		0.8	0.8
United Kingdom	6.6		6.6	7.1
Euro				17.6
North America	18.4	(8.0)	10.4	28.7
Canada	2.9		2.9	3.4
United States of America	15.5	(8.0)	7.5	25.3
Other	2.3		2.3	2.3
Sub-Total	81.5	(13.1)	68.4	100.0
Cash	18.5	13.1	31.6	
Total	100.0		100.0	100.0

Long - 120 stocks, 2 swaps, 1 option Short - 27 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 FUND²



TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND⁴

STOCK	COUNTRY	INDUSTRY	%
Glencore PLC	Australia	Materials	3.2
ZTO Express Cayman Inc	China	Industrials	3.1
Microchip Technology Inc	United States	Info Technology	3.0
Minebea Co Ltd	Japan	Industrials	2.4
UPM-Kymmene OYJ	Finland	Materials	2.4
Ping An Insurance Group	China	Financials	2.4
Tencent Holdings Ltd	China	Comm Services	2.2
Samsung Electronics Co	South Korea	Info Technology	2.2
Shell PLC	Netherlands	Energy	2.2
Mosaic Co	United States	Materials	2.0
Total			25.1

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND³

SECTOR	LONG %	SHORT %	NET %
Industrials	16.7	(0.7)	16.0
Materials	14.0		14.0
Financials	13.5	(0.3)	13.2
Consumer Discretionary	10.7	(3.3)	7.4
Information Technology	10.0	(4.0)	6.0
Health Care	4.9		4.9
Energy	4.3		4.3
Communication Services	4.1	(1.0)	3.1
Real Estate	2.4		2.4
Consumer Staples	0.8	(0.4)	0.4
Other		(3.5)	(3.5)

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, 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.

- Increasing evidence that the 'disruption-driven' bull market is over.
- Six-month returns are starting to highlight the benefit of our approach.
- Likely we are only part-way through the technology sell-off based on historical patterns.

Market Commentary

The Fund delivered a positive return in May against a continued backdrop of weak markets, with the technology-heavy Nasdaq index extending its 2022 losses, despite a bear-market rally late in the month.

The investment landscape today is as complex as it has been in a long time. Our observation is that for the last decade or so, perhaps the biggest risk was not paying enough; the risk today has shifted to paying too much. There are many implications from tightening liquidity, not least the financing of some of the more fanciful disruptors. Perhaps, "back to boring" is an uninspiring slogan, but there are some great businesses being priced today as if they are in crisis, yet they are high-quality producers of necessities and we expect they will be around for some time to come. This might include the likes of Toyota, BMW, Microchip, MinebeaMitsumi or the European banks.

With an understanding from history that when bull markets end, markets tend to give back 50-85% of the preceding rise, our focus in recent months has been on protection, as we have long expressed our concerns around inflation and speculation.

Our playbook does, however, encompass the idea of rallies within a bear market, and the importance of harvesting gains. With that in mind, we expect that the short book in the portfolio will continue to be dynamic. All else being equal, one might expect net invested positions to rise as markets fall, and vice versa. Nothing happens in a straight line, nor exactly as expected, so the key message is that we continue to maintain a cautious bias. We expect there to be a point later in the sell-off when we would seek to remove protection to capture the start of the next market cycle.

In December, we showed the expensive valuations ascribed to the 'big six' largest companies Apple, Amazon, Microsoft, Alphabet (Google parent), Tesla and Meta Platforms (formerly known as Facebook). By 31 May 2022, each was 19-49% below their respective 52-week highs (average 32%), with Netflix down over 70%, yet on a simple earnings yield (see second table below) they are now more expensive relative to 'risk free' US Treasuries than before, thus ironically reducing their investment appeal (Source: FactSet).

We remain excited by opportunities across decarbonisation, semiconductors, travel, Chinese consumers, European financials, and growth industrials. On the short side, we continue to protect the portfolio with a range of positions on stocks that have alarming fundamentals and/or valuations, most of which are in the technology and consumer areas.

Performance Analysis*

The last six months is a great reminder of why we do what we do. As markets sold off by 10%, the Fund only fell by 1%. This was due primarily to our short positions adding 7% to returns. This more than offset any falls on the long side in tumbling markets. That return from the short positions arose from an average weighting of 24% of our assets, implying that companies we were short fell on average by 28% over the six-month period to 31 May 2022. On the long side, standout contributors were China Overseas Land & Investment (Property) and materials companies Glencore and Mosaic (US fertiliser).

Valuation

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 45% 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	9.7% (Price-to-Earnings ratio of 10.3x)	6.7% (Price-to-Earnings ratio of 14.9x)
NTM Dividend Yield	3.2%	2.7%
Price-to-Book Ratio	1.5x	2.5x
Enterprise Value-to-Sales	1.4x	1.7x

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 31 May 2022. NTM = next twelve months.

In December, we compared the long portfolio with global markets, the 'big six' listed above, and US 10-year bond yields. Increasing yields mean more attractive valuations all round, but the rate of change is informative. The portfolio yield has risen the most, which is encouraging, followed by bonds, meaning that broad global markets and particularly the 'big six' have become relatively dearer.

Asset	NTM Earnings Yield (31-12-2021)	NTM Earnings Yield (31-5-2022)	Increase in NTM Earnings Yield
Platinum International Fund (Longs)	7.8%	9.7%	+1.9%
MSCI AC World Net Index (A\$)	5.5%	6.7%	+1.2%
'Big six' stocks	2.8%	3.7%	+0.9%
US 10-year Treasury	1.5%	2.8%	+1.3%

Source: 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 31 May 2022.

*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.**