

# Platinum Investment Bond - APIR Code: LIF2561AU

## Platinum International Fund



MONTHLY REPORT 31 October 2023

### FACTS

Portfolio value	\$1.68 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.0521

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

	Fund %	MSCI %
1 month	(1.7)	(1.1)
3 months	(4.7)	(3.8)
6 months	(3.3)	2.4
Calendar year to date	2.5	14.3
1 year	11.5	11.6
2 years (compound pa)	5.5	2.4
3 years (compound pa)	9.0	10.4
5 years (compound pa)	6.3	9.9
7 years (compound pa)	7.6	11.3
10 years (compound pa)	8.1	11.2
Since inception (compound pa)	11.2	7.3

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.**

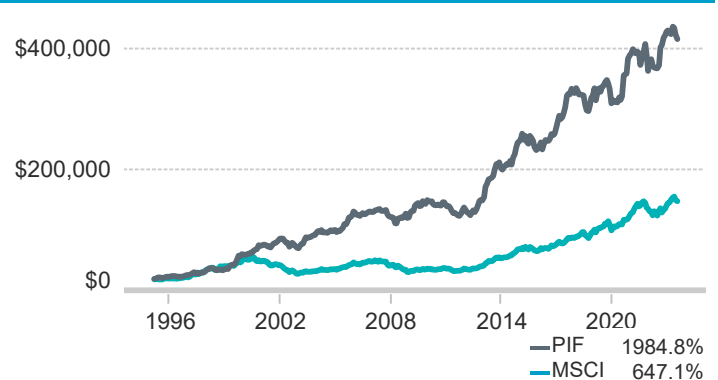
### INVESTED POSITIONS OF PLATINUM INTERNATIONAL FUND<sup>3</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	40.5	(0.7)	39.8	42.7
Australia	2.3		2.3	2.5
China	20.8		20.8	21.5
Taiwan	1.6	(0.2)	1.4	1.4
India	2.0		2.0	2.1
Japan	8.7	(0.3)	8.4	9.7
South Korea	3.7	(0.1)	3.5	3.6
Other Asia-Pacific	1.4		1.4	2.0
<b>Europe</b>	20.5	(3.1)	17.4	25.0
Austria	1.0		1.0	
Finland	3.0		3.0	
France	3.1		3.1	
Germany	2.1	(2.2)	(0.1)	
Switzerland	3.7	(0.1)	3.6	3.7
United Kingdom	6.5		6.5	8.5
Euro				12.6
Other Europe	1.2	(0.9)	0.3	0.3
<b>North America</b>	16.8	(18.9)	(2.1)	29.1
Canada	2.0		2.0	2.7
United States of America	14.8	(18.9)	(4.1)	26.4
<b>Other</b>	3.1		3.1	3.1
<b>Sub-Total</b>	80.8	(22.7)	58.1	100.0
<b>Cash</b>	19.2	22.7	41.9	
<b>Total</b>	100.0		100.0	100.0

### 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	3.6
UPM-Kymmene OYJ	Finland	Materials	3.0
Samsung Electronics Co	South Korea	Info Technology	2.8
Ping An Insurance Group	China	Financials	2.7
UBS Group AG	Switzerland	Financials	2.6
Microchip Technology Inc	United States	Info Technology	2.6
Allfunds Group Plc	UK	Financials	2.6
Suzano SA	Brazil	Materials	2.4
Minebea Co Ltd	Japan	Industrials	2.4
Airbus SE	France	Industrials	2.0
<b>Total</b>			<b>26.7</b>

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

SECTOR	LONG %	SHORT %	NET %
Financials	15.6	(1.0)	14.6
Industrials	17.6	(3.5)	14.1
Materials	9.9	(0.1)	9.7
Consumer Discretionary	9.6	(2.7)	6.9
Information Technology	10.5	(3.7)	6.8
Energy	6.6		6.6
Real Estate	3.3		3.3
Health Care	3.3	(0.4)	2.9
Communication Services	3.6	(0.8)	2.8
Consumer Staples	0.5		0.5
Utilities	0.3		0.3
Other		(10.5)	(10.5)

Long - 123 stocks, 1 swap, 1 option, 2 other Short - 44 swaps, 5 indices

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).

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**

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

- The Fund returned -1.7% for the month. Over the year to end October, the return was 11.5%.
- As at the end of October, the Fund is 81% long and the short book has increased to 22.7%. This more cautious positioning reflects our concern around the US economy and high starting valuations.

Market Commentary

US equities were down in October and both the S&P500 (-2.2%) and Nasdaq (-2.8%) have now fallen more than 10% from their peaks in July. We believe this weakness means the market is coming to terms with the Fed's "higher-for-longer" stance and certainly the strong retail sales report and Q3 GDP beat add weight to this stance. Mirroring the current state of the economy, the Q3 earnings season showed a blended earnings growth rate of ~2.8%, outstripping pre-season expectations for a decline of 0.3% (Factset). However, outlook commentaries were cautious, particularly from the likes of Tesla (-19.7% for Oct) and Caterpillar (-17.2% for Oct).

European markets ended lower for the third month in a row, with the STOXX 600 (-3.7%) trading at its weakest levels since March 2023. In addition to the surge in bond yields, there was a lot of focus on geopolitical risks following Hamas' assault on Israel on 7 October and these issues, along with underwhelming Q3 earnings, weighed on equity investors. Following the Hamas' attack there were broad expectations for an Israeli ground invasion of the Gaza strip. Now the focus is on whether this could spill over into a broader regional conflict and what effect that would have on markets. However, over the past few decades, markets have a history of looking past geopolitical events (Factset and Platinum).

Companies' outlook statements noted slowing business activity in the Eurozone and this combined with a spike in energy prices due to tensions in the Middle East led to analysts downgrading earnings expectations for the rest of 2023 and the first half of 2024 (Factset). The economic and political backdrop in Europe has been concerning for some time. Our preferred exposure are those stocks and sectors that have experienced 'their' recession - such as the asset gatherers that took a hit when bonds and equities both fell last year.

Asian equity markets continued the weak trend, falling for the third month in a row. China's economic data was mixed with activity in September reporting an uptick but the October PMI (Purchasing Managers Index) indicating a slowdown. While a stronger economic backdrop is helpful for equity returns, given our concentrated, high conviction portfolio, we only hold stocks we think offer strong returns over the medium term at reasonable prices. We're hopeful that we're seeing the first signs of China's property stimulus taking effect. The pace of the decline in new home sales slowed in October and the China Index Academy showed average new home prices in 100 cities rose 0.07% month on month.

In an interesting development, the in-favour Indian market experienced a surge in outflows in October driven by weaker than expected IT company earnings, downbeat commentary from some Indian banks and rising oil prices (FT article, 31 October 2023). India imports more than 80% of its oil, making it vulnerable to crude prices which have climbed ~5% since Hamas' attack on Israel. Given their high starting valuations, the Fund has had limited exposure to Indian equities.

Performance Analysis\*

For the month, two of our biggest contributors were short positions in a US quantum computing stock and a US car manufacturer. A long position in Weichai Power, a manufacturer of diesel engines, made a significant contribution to performance in October. Detractors included global credit bureau TransUnion, British investment management company St James' Place and US company Microchip Technology.

For the calendar year-to-date our long positions contributed 6.0% to the Fund's return, while our short positions detracted 2.4%. Over this period, our North American long positions have been the standout performers, adding 2.9% to the Fund's performance, with a 1.1% contribution from Japan, 0.8% from Asia and 0.7% from South America.

Valuation

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a ~46% higher starting earnings yield and a ~42% discount on Price to Book ratio (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	9.8% (Price-to-Earnings ratio of 10.2x)	6.7% (Price-to-Earnings ratio of 14.9x)
NTM Dividend Yield	3.2%	2.9%
NTM Enterprise Value-to-Sales	1.4x	2x
LTM Price-to-Book Ratio	1.4x	2.4x

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. MSCI data is sourced from Rimes, FactSet and Platinum. As at 30 October 2023. NTM = next twelve months. LTM = last twelve months.

\*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.**