

# Platinum Investment Bond - APIR Code: LIF2561AU

## Platinum International Fund



MONTHLY REPORT 31 December 2023

### FACTS

Portfolio value	\$1.83 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.0641

### FEES

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

### PERFORMANCE

Please refer to <https://www.australianunity.com.au/wealth/platinum> for latest performance information.

### INVESTED POSITIONS OF PLATINUM INTERNATIONAL FUND <sup>1</sup>

	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	39.3	(0.9)	38.3	59.2
Australia	2.6	(0.1)	2.5	3.6
China	18.0		18.0	18.0
Hong Kong	0.1		0.1	1.2
Taiwan	1.8	(0.2)	1.6	1.6
India	2.1		2.1	2.1
Japan	8.9	(0.5)	8.4	26.9
South Korea	4.2	(0.1)	4.1	4.1
Other Asia-Pacific	1.6		1.6	1.6
<b>Europe</b>	26.0		26.0	27.1
Austria	1.4		1.4	
Finland	2.9		2.9	
France	4.8		4.8	
Germany	1.4		1.4	
Italy	1.4		1.4	
Netherlands	1.7		1.7	
Switzerland	3.3		3.3	3.2
United Kingdom	8.4		8.4	9.3
Euro				14.3
Other Europe	0.8		0.8	0.2
<b>North America</b>	18.2	(7.0)	11.2	10.9
Canada	2.4		2.4	2.8
United States of America	15.7	(7.0)	8.7	8.2
<b>Other</b>	2.8		2.8	2.8
<b>Sub-Total</b>	86.2	(8.0)	78.2	100.0
<b>Cash</b>	13.8	8.0	21.8	
<b>Total</b>	100.0		100.0	100.0

### TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND <sup>2</sup>

STOCK	COUNTRY	INDUSTRY	%
Allfunds Group Plc	UK	Financials	3.4
UBS Group AG	Switzerland	Financials	3.2
Samsung Electronics Co	South Korea	Info Technology	3.2
ZTO Express Cayman Inc	China	Industrials	3.0
UPM-Kymmene OYJ	Finland	Materials	2.9
Minebea Co Ltd	Japan	Industrials	2.5
Airbus SE	France	Industrials	2.2
Suzano SA	Brazil	Materials	2.1
Intercontinental Exchange	United States	Financials	2.1
InterGlobe Aviation Ltd	India	Industrials	2.1
<b>Total</b>			<b>26.8</b>

### INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND <sup>1</sup>

SECTOR	LONG %	SHORT %	NET %
Financials	16.2	(0.1)	16.1
Industrials	18.5	(2.6)	15.9
Materials	10.4	(0.1)	10.3
Consumer Discretionary	11.2	(2.1)	9.1
Information Technology	10.6	(2.4)	8.2
Energy	6.4		6.4
Real Estate	3.2		3.2
Health Care	3.1		3.1
Communication Services	3.6	(0.6)	3.0
Consumer Staples	2.8		2.8
Utilities	0.3		0.3

Long - 125 stocks, 1 swap, 2 other Short - 25 swaps

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. 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".

1. and 2. 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.

2. 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 +1.0% for the month of December 2023.
- As at 31 December 2023, the Fund was around 86% long and the short book had decreased to 8%.

#### Market Commentary

US equities were again higher in December fuelled by the soft landing momentum and Fed rate cut expectations. The gains were broad based and the equal-weight S&P outperformed the cap-weighted index. The small-cap Russell 2000 posted its best month since November 2020. These moves reflected investors rotating into cyclical stocks (source: Factset) and being less enthused with the “Magnificent Seven” stocks that rallied over 75% in 2023 (source: Bloomberg). M&A announcements also picked up in December with some of the biggest announcements including Nippon Steel's acquisition of US Steel for ~US\$15bn, Occidental Petroleum's acquisition of CrownRock for ~US\$12bn, Paramount and Warner Bros in merger talks and Adobe abandoning its plans to acquire Figma for ~US\$20bn given regulatory challenges.

European equity markets were higher in December, continuing the disinflation and peak rates narrative from November. The US Federal Reserve's policy pivot only fuelled speculation over rate cuts. Markets are pricing in ~150bps worth of rate cuts for the European Central Bank and ~125bps for the Bank of England in 2024. These expectations for rate cuts have led to a more positive outlook on European equities from both sell and buy side institutions.

China's stock market finished the month largely flat after the Hang Seng China Enterprises Index gained ~5% in the final week of the year. While economic data remains mixed, there are bright spots in the Chinese economy - China is now the world's largest car exporter. Our focus is on well-run companies with competitive moats.

#### 2024 – a year of elections and uncertainty?

2024 is shaping as a year of uncertainty. In 2023 we saw the continuation of the Russia/Ukraine conflict, followed by the Hamas/Israel conflict and now increasing tensions between Iran and the US over Iran-backed Houthi rebels attacking ships in the Red Sea – which handles about 12% of the world's commerce (source: The Australian Financial Review).

In 2024 we will see more than 70 elections in countries covering 4.2bn people, approximately 50% of the world's population (source: The Economist). While many of these elections will be routine, we have seen the rise of fringe parties, particularly in Europe, causing election upsets i.e. the Dutch election in November 2023. The Taiwanese election in January 2024 could help shape US-China relations over the next few years. The US Presidential Election will be held in November 2024.

Risk management is important when it comes to these periods of heightened uncertainty. We know that many people's natural reaction is to exit equity positions which does not help to build wealth over the long term. Platinum constructs a truly diversified portfolio of stocks that have good long-term growth prospects that we seek to buy at reasonable valuations. We're also able to hold cash and short sell stocks that we think are overvalued or structurally challenged. It is these risk management levers that have produced strong long term returns and protected clients' capital during downturns and other similar periods of heightened uncertainty.

#### Performance Analysis\*

For the month our biggest contributors to performance were platform provider, Allfunds, Austrian bank, Raiffeisen Bank and US credit bureau, TransUnion. Detractors included Chinese technology company Tencent Holdings and Chinese parcel delivery service ZTO Express.

#### Valuation

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a ~37% higher starting earnings yield and a near 40% discount on the price-to-book ratio (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.2% (Price-to-Earnings ratio of 12.2x)	6.0% (Price-to-Earnings ratio of 16.6x)
NTM Dividend Yield	2.8%	2.6%
NTM Enterprise Value-to-Sales	1.5x	2.2x
LTM Price-to-Book Ratio	1.6x	2.6x

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. MSCI data is sourced from Rimes, FactSet and Platinum. As at 31 December 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.**