

Platinum Investment Bond - APIR Code: LIF2561AU

Platinum International Fund



MONTHLY REPORT 31 January 2024

FACTS

Portfolio value	\$1.87 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.0623

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 ¹

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	40.0	(0.5)	39.5	59.1
Australia	2.2	(0.2)	2.0	3.3
China	18.1		18.1	18.1
Taiwan	2.3		2.3	2.3
India	2.2		2.2	2.2
Japan	9.9	(0.2)	9.7	28.0
South Korea	3.7	(0.1)	3.6	3.6
Other Asia-Pacific	1.7		1.7	1.5
Europe	27.3		27.3	28.1
Austria	1.4		1.4	
Finland	2.9		2.9	
France	5.2		5.2	
Germany	1.3		1.3	
Italy	1.3		1.3	
Netherlands	1.8		1.8	
Switzerland	3.3		3.3	3.3
United Kingdom	9.1		9.1	10.0
Euro				14.5
Other Europe	0.9		0.9	0.3
North America	20.4	(6.2)	14.2	10.1
Canada	2.8		2.8	3.1
United States of America	17.5	(6.2)	11.4	6.9
Other	2.8		2.8	2.8
Sub-Total	90.4	(6.7)	83.7	100.0
Cash	9.6	6.7	16.3	
Total	100.0		100.0	100.0

TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND ²

STOCK	COUNTRY	INDUSTRY	%
Allfunds Group Plc	UK	Financials	3.7
UBS Group AG	Switzerland	Financials	3.3
ZTO Express Cayman Inc	China	Industrials	3.1
Samsung Electronics Co	South Korea	Info Technology	3.0
UPM-Kymmene OYJ	Finland	Materials	2.9
Minebea Co Ltd	Japan	Industrials	2.7
Itochu Corp	Japan	Industrials	2.5
Airbus SE	France	Industrials	2.4
Cameco Corp	Canada	Energy	2.3
Taiwan Semiconductor	Taiwan	Info Technology	2.3
Total			28.2

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND ¹

SECTOR	LONG %	SHORT %	NET %
Industrials	19.6	(2.3)	17.3
Financials	17.2	(0.2)	17.0
Information Technology	12.2	(1.8)	10.4
Materials	10.2	(0.1)	10.1
Consumer Discretionary	11.0	(1.7)	9.2
Energy	6.9		6.9
Communication Services	4.3	(0.6)	3.7
Health Care	3.2		3.2
Real Estate	2.9		2.9
Consumer Staples	2.8		2.8
Utilities	0.2		0.2

Long - 126 stocks, 1 swap, 1 other Short - 22 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, 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).

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

- The Platinum International Fund returned -0.4% for January 2024 and +0.7% for the rolling 12 months.
- We're disappointed with this performance. The main drivers were: 1) conservative positioning; 2) overweight position in China; and 3) an underweight position in the "Magnificent Seven" US large cap tech stocks.

Performance Analysis*

It goes without saying that we are disappointed with the absolute and relative performance of the Fund. The main drivers of performance were as follows.

1. Conservative positioning

One of the main detractors of performance is that PIF was positioned too cautiously in 2023. At the beginning of the year, Western markets were facing a continuation of the tight financial conditions seen in 2022 as central banks enacted one of the most aggressive tightening cycles in history. On the flip side, China was emerging from COVID-19 lockdowns and looked like it would enjoy the economic rebound associated with ending lockdowns and coming out of a severe bear market.

The reality of 2023 was very different to the one we were expecting and our cautious positioning was not rewarded by the market. The US economy remained robust in spite of tight financial conditions. While corporate earnings declined marginally, the US equity market rallied. Meanwhile, China's recovery was short lived as the property sector weighed on consumer and business confidence. The table below shows the composition of PIF for the month of January 2024 and for the 12 months ending 31 January 2024. The net invested position is increasing. Over the twelve months to 31 January 2024, PIF had an average net invested position of 73.2%. This increased to 80.5% in January 2024. Post end of quarter the net invested position increased to 84.5% comprising of a long book of 91.1%, cash of 8.9% and a short book of 6.6%.

Figure 1: Long, short and cash contribution to PIF's performance for January 2024 and rolling 12 months

	For the month of January 2024		For the 12 months ended 31 January 2024	
	Average Exposure	Cumulative Contribution (gross of fees)	Average Exposure	Cumulative Contribution (gross of fees)
Long positions	88.0%	-0.6%	87.1%	5.9%
Short positions	7.5%	0.6%	13.9%	-3.6%
Cash & FX	12.0%	-0.3%	12.9%	-0.3%
Net invested position	80.5%		73.2%	

Source: Platinum Asset Management

2. Our overweight position in China

PIF had, on average, a 20.7% weighting to China for the 12 months ended 31 January 2024. This was a significant overweight compared to China's <3% weighting in the MSCI AC World Index and weighed on performance, detracting 4.3% for the 12 months ended 31 January 2024 and detracting 1.5% in the month of January. Platinum's investment philosophy and process means that we believe the best long-term returns are found in those parts of the market that are overlooked and unloved. We believe this describes investors' feelings towards China and this is reflected in the very low valuations (the Hang Seng's PE ratio is below the Nasdaq's price to book ratio). Having said that, we are mindful of the risks of investing in China and are cautious of potential trade tariff implications if Trump is elected. We have reduced our China weighting to an average weight of 18.3% for the month of January.

3. Our underweight position in the "Magnificent Seven" stocks

The "Magnificent Seven" US large cap tech stocks have been the main contributor to the MSCI AC World Index's performance over the last 12 months given their dominance of the index (they make up ~17% of the MSCI AC World Index). Their contribution to performance is clear when you compare the 1-year performance of the MSCI AC World Index (a market capitalisation weighted index) to the MSCI AC World Equal Weighted Index (where at each quarterly rebalance, all constituents are weighted equally). The MSCI AC World Index (AUD) returned 22.3% whereas the equal weighted index (AUD) returned ~1.6%. PIF was underweight these "Magnificent Seven" stocks, with a total net weighting of <1.5%.

Whilst PIF is still relatively defensively positioned, we believe the stocks in the portfolio have the ability to outperform over the medium term. As contrarian investors, we seek to invest in companies that are overlooked and unloved by the market and are at compelling valuations. Markets seem to be positioned for a "goldilocks" scenario in the West, assuming that economies will cool just enough for central banks to cut rates but not enough to negatively impact company earnings and therefore valuations. At the same time, the market is pricing in no recovery in China. These extremes are giving us great stock picking opportunities.

*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.**