

Platinum Investment Bond - APIR Code: LIF2561AU

Platinum International Fund



MONTHLY REPORT 29 February 2024

FACTS

Portfolio value	\$1.95 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.0867

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	40.2	(0.3)	39.9	60.1
Australia	1.1	(0.2)	0.9	2.2
China	19.3		19.3	19.3
Taiwan	3.0		3.0	3.0
India	2.3		2.3	2.3
Japan	8.9		8.9	27.6
South Korea	3.8	(0.1)	3.6	3.6
Other Asia-Pacific	1.9		1.9	2.0
Europe	27.7		27.7	28.9
Austria	1.4		1.4	
Finland	2.8		2.8	
France	6.3		6.3	
Italy	1.4		1.4	
Netherlands	1.8		1.8	
Switzerland	3.2		3.2	3.2
United Kingdom	9.0		9.0	10.2
Euro				15.3
Other Europe	1.8		1.8	0.3
North America	21.6	(4.6)	17.1	8.1
Canada	2.4		2.4	2.7
United States of America	19.2	(4.6)	14.6	5.4
Other	2.8		2.8	2.8
Sub-Total	92.4	(4.9)	87.4	100.0
Cash	7.6	4.9	12.6	
Total	100.0		100.0	100.0

TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND ²

STOCK	COUNTRY	INDUSTRY	%
ZTO Express Cayman Inc	China	Industrials	3.7
Allfunds Group Plc	UK	Financials	3.5
UBS Group AG	Switzerland	Financials	3.1
Samsung Electronics Co	South Korea	Info Technology	3.1
Taiwan Semiconductor	Taiwan	Info Technology	2.9
UPM-Kymmene OYJ	Finland	Materials	2.8
Minebea Co Ltd	Japan	Industrials	2.4
Airbus SE	France	Industrials	2.4
Beazley PLC	UK	Financials	2.4
Trip.com Group Ltd	China	Cons Discretionary	2.3
Total			28.6

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND ¹

SECTOR	LONG %	SHORT %	NET %
Industrials	20.4	(1.1)	19.3
Financials	17.4	(0.3)	17.1
Information Technology	13.7	(1.8)	12.0
Consumer Discretionary	12.4	(1.4)	11.0
Materials	8.4	(0.1)	8.3
Energy	6.5		6.5
Communication Services	4.4	(0.2)	4.2
Health Care	3.4		3.4
Real Estate	3.1		3.1
Consumer Staples	2.5		2.5
Utilities	0.2		0.2

Long - 125 stocks, 1 swap, 1 other Short - 19 swaps

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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 ("PIF") returned +3.4% for February 2024, bringing the rolling 12 month return to +3.3% net of fees. Fuelled once again by large cap US tech stocks, the MSCI AC World Index (AUD) returned +5.9% for February.

Is now the right time to increase exposure to US large cap tech?

The US large cap tech segment was broadly higher for the month helped by a 28% rise from NVIDIA, +25% from Meta (Facebook's parent) and a 13% gain from Amazon. NVIDIA's 4Q results were ahead of consensus on a revenue and earnings basis and it also upgraded guidance. Meta's guidance was the bright spot of its 4Q results with the focus on AI tailwinds and a capital return (a US\$50bn buyback and its first dividend).

Amazon's result was ahead of consensus, driven by a reaccelerating AWS, expanding retail margins and ad growth. While NVIDIA, Meta and Amazon experienced stellar gains, the remaining Magnificent Seven stocks fared less well. Apple was up just 2% in February due to underwhelming guidance and a market focus on increased competition. Shares in Alphabet (Google's parent), Tesla and Microsoft have all declined since the end of February.

The graph below compares IT stock performance to the S&P500 and shows it exceeding the highs seen in the Tech bubble. We believe increasing exposure to these stocks now is risky given economic uncertainty and high earnings expectations. We have already seen expectations of US interest rate cuts pushed out from March to June 2024.

Figure 1: Ratio of S&P500 IT sector vs. S&P500 (monthly total return from 29 Sep 1989 to 26 Feb 2024)



Source: Bloomberg, indexed to 100 from 29 September 1989

Platinum is positioned differently

The Fund is positioned very differently to the MSCI AC World Index and provides a hedge to the US large cap tech concentration discussed above. Top contributors to the Fund's performance in February included Chinese parcel delivery business ZTO Express and travel company Trip.com. ZTO Express is the largest and lowest cost parcel delivery business in China, delivering around 30 billion parcels a year (more than the whole of the US). The company is growing at 20-30% p.a. and is trading on a 2024 PE of 12x. Trip.com has benefited from the end of COVID lockdowns in China with domestic travel now exceeding 2019 levels. It also has a half share in India's biggest online travel business. We expect earnings to grow in the high teens as international travel opens up. Trip is trading on a 2024 PE of 17x. The Fund's Chinese holdings are well-run growth businesses at attractive valuations that do not need the Chinese market to re-rate in order to do well.

An attractively valued portfolio

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a ~42% higher earnings yield and a ~43% discount on Price to Book basis (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	8.1% (Price-to-Earnings ratio of 12.3x)	5.7% (Price-to-Earnings ratio of 17.4x)
NTM Dividend Yield	2.7%	2.5%
NTM Enterprise Value-to-Sales	1.6x	2.3x
LTM Price-to-Book Ratio	1.6x	2.8x

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 29 February 2024. 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.**