

# Platinum Investment Bond - APIR Code: LIF2561AU

## Platinum International Fund



MONTHLY REPORT 31 July 2021

### FACTS

Portfolio value	\$0.28 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.0112

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

	Fund %	MSCI %
1 month	(0.8)	2.8
3 months	0.2	8.9
6 months	9.2	18.6
Calendar year to date	9.7	18.7
1 year	25.9	29.9
2 years (compound pa)	8.3	15.7
3 years (compound pa)	6.5	14.1
5 years (compound pa)	10.1	14.6
7 years (compound pa)	9.3	13.8
10 years (compound pa)	11.4	14.7
Since inception (compound pa)	12.0	7.7

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>

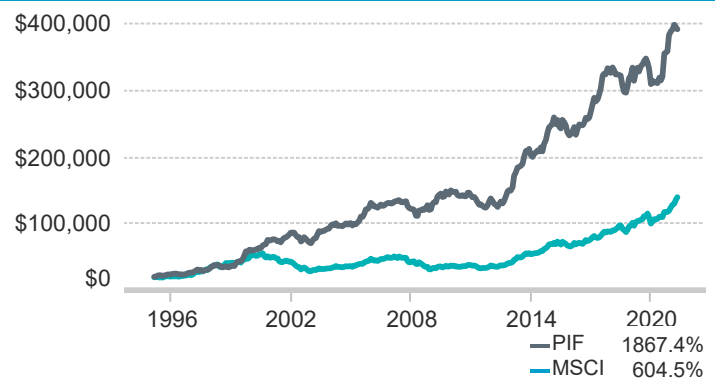
	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	44.2	(0.6)	43.7	47.3
Australia	3.7	(0.1)	3.6	3.9
China	16.8		16.8	17.4
Hong Kong	2.5		2.5	3.7
India	2.2		2.2	2.2
Japan	13.7	(0.4)	13.2	14.7
South Korea	5.2		5.2	5.2
Thailand	0.1		0.1	0.1
<b>Europe</b>	21.6	(0.2)	21.4	22.0
Austria	1.6		1.6	
Belgium	0.1		0.1	
Denmark	0.5		0.5	0.5
Finland	2.7		2.7	
France	3.6		3.6	
Germany	4.0		4.0	
Hungary	0.1		0.1	0.1
Ireland	1.4		1.4	
Italy	1.7		1.7	
Spain	1.2		1.2	
Sweden	0.1		0.1	0.1
United Kingdom	4.6	(0.2)	4.4	4.9
Euro				16.3
<b>North America</b>	20.8	(3.8)	17.0	29.4
Canada	2.0		2.0	3.3
United States of America	18.8	(3.8)	14.9	26.2
<b>Other</b>	1.3		1.3	1.3
<b>Sub-Total</b>	87.9	(4.6)	83.3	100.0
<b>Cash</b>	12.1	4.6	16.7	
<b>Total</b>	100.0		100.0	100.0

Long - 126 stocks, 2 swaps Short - 19 swaps

### 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	%
Glencore PLC	Australia	Materials	3.3
Samsung Electronics Co	South Korea	Info Technology	3.1
ZTO Express Cayman Inc	China	Industrials	3.0
Minebea Co Ltd	Japan	Industrials	2.9
UPM-Kymmene OYJ	Finland	Materials	2.7
Microchip Technology Inc	United States	Info Technology	2.6
Weichai Power Co Ltd	China	Industrials	2.6
Micron Technology Inc	United States	Info Technology	2.5
AIA Group Ltd	Hong Kong	Financials	2.5
China Overseas Land & Inv	China	Real Estate	2.2
<b>Total</b>			<b>27.4</b>

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

SECTOR	LONG %	SHORT %	NET %
Industrials	20.3		20.3
Materials	15.6	(0.1)	15.5
Financials	15.5		15.5
Information Technology	12.5	(0.8)	11.7
Consumer Discretionary	10.4	(2.0)	8.4
Health Care	6.6		6.6
Real Estate	3.3		3.3
Communication Services	2.8		2.8
Energy	0.4		0.4
Consumer Staples	0.5	(0.4)	0.2
Other		(1.3)	(1.3)

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).

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### MARKET UPDATE AND COMMENTARY

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

- The last 12 months' return ranks amongst the strongest 12-month periods in the Fund's long history.
- Cyclical assets dominate the portfolio and have been a significant positive driver of returns over the last 12-month period.
- In recent months, the market has behaved more in line with previous episodes of uncertainty, with investors chasing 'defensives'.
- The portfolio's positioning means it should benefit from a shift in the market's view that inflation is indeed apparent.
- Recent concerns over China are not new and reflect commonly held biases.

#### Market Commentary

The Quarterly Report, which provided deep insights around performance, portfolio positioning, commentary and our outlook, was released on the website in July (visit <https://www.platinum.com.au/Our-Products/Product-By-Type/Platinum-Investment-Bond>).

Three broad issues are key at this time and are as follows:

- Concerns about China, primarily due to policy initiatives, impacted stocks in that market in July. We released a statement on this on 29 July (which can be found here: <https://www.platinum.com.au/Insights-Tools/The-Journal/China-Time-to-Run-or-Time-to-be-Bold>), along with a short [video](#) on the longer-term opportunity, which paraphrases a recent major piece on this topic. In summary, our view is that while China may be a challenging environment for investors, this will likely prove to be an opportunity to buy good-quality companies relatively cheaply.
- Inflation was covered at length in the Macro Overview in the abovementioned Quarterly Report. It has been observable that the portfolio is positioned in such a way that it is likely to initially benefit from rising bond yields. Further evidence of the strength of inflation came at the end of July, with the Personal Consumption Expenditure (PCE) deflator registering its highest reading in the US since 1983, rising at an annual rate of 6.1% measured quarter-on-quarter, excluding energy and food (Source: Federal Reserve Bank of St Louis). The PCE is an alternate measure of inflation, using surveys of business sales rather than consumer purchases and employing a chain-type methodology, which adjusts for different weightings of goods purchased, rather than assuming a constant basket of consumer purchases as is the case with consumer price index (CPI).
- We have long highlighted the gap between 'cyclical' stocks and 'defensive' stocks, with the portfolio skewed to the former. We provided details on this concept in an article in March, which contained a long-term valuation chart (see: <https://www.platinum.com.au/Insights-Tools/The-Journal/Are-Cyclicals-the-New-Defensives>). This gap remains in place today, with both cyclicals and defensives about 5-7% more expensive than they were on this basis, in late February. We maintain that it is important to stay away from overpriced stocks that many perceive to be safe. While, this can lead to an occasional sense of missing out, it is prudent risk management.

#### Performance Analysis\*

The last 12 months ranks amongst the strongest 12-month periods in the Fund's long history, with a return of 26% (net of fees). This has been aided by strong markets, with the Fund's cyclical\*\* exposures at the heart of this. Cyclical stocks added 25% in contribution terms and dominated the top 10 stocks, which as a group, had a 16% impact. This top performers' list includes: resource companies – Glencore, First Quantum Minerals and Freeport-McMoRan; semiconductor makers - Samsung Electronics and Micron Technology (perceived as a cyclical albeit officially classed as technology); an eclectic mix - General Electric, Ally Financial and LG Chem (who make batteries for electric vehicles); and Japanese industrials – MinebeaMitsumi and Lixil.

#### Valuation

Aggregate valuation data is a useful gauge for the portfolio's attractiveness. There appears to be value in an absolute and relative sense, with the Fund offering a starting earnings yield 39% higher than the market and appearing 41% cheaper relative to the assets backing it.

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	7.8% (Price-to-Earnings ratio of 13x)	5.6% (Price-to-Earnings ratio of 18x)
NTM Dividend Yield	2.4%	2.5%
Price-to-Book Ratio	1.7x	2.9x
Enterprise Value-to-Sales	1.3x	2.2x

The valuations in the table in respect of the Fund have been calculated by Platinum and refer to the long portion of the portfolio, exclude negative net earnings, and use FactSet consensus earnings. As at 31 July 2021.

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.

Source\*\*: Cyclicals include: Industrials, materials, energy, real estate, financials and consumer discretionary – these make up 65% of the average portfolio weight over the last year on the long side; Technology includes: IT and communication services, and was 19% average weight over the same period.