

# Platinum Investment Bond - APIR Code: LIF2561AU

## Platinum International Fund



MONTHLY REPORT November 30, 2021

### FACTS

Portfolio value	\$0.69 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.0000

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

	Fund %	MSCI %
1 month	3.5	3.4
3 months	(2.2)	1.4
6 months	(3.2)	12.3
Calendar year to date	8.1	24.0
1 year	8.5	23.9
2 years (compound pa)	5.9	14.4
3 years (compound pa)	9.0	17.1
5 years (compound pa)	8.9	14.9
7 years (compound pa)	8.4	12.9
10 years (compound pa)	11.9	15.6
Since inception (compound pa)	11.8	7.8

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>

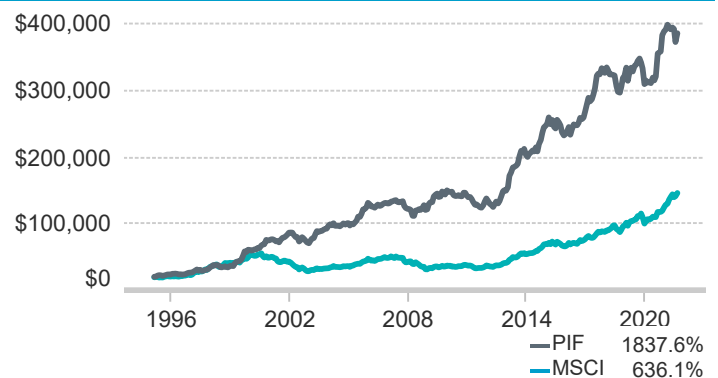
	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	46.1		46.1	43.0
Australia	3.1		3.1	3.3
China	20.2		20.2	21.1
Hong Kong	2.0		2.0	2.0
India	1.9		1.9	1.8
Japan	13.6		13.6	9.5
Kazakhstan	0.3		0.3	0.3
South Korea	4.8		4.8	4.8
Thailand	0.2		0.2	0.2
<b>Europe</b>	20.2	(0.3)	19.9	23.0
Austria	2.0		2.0	
Denmark	0.5		0.5	0.5
Finland	2.4		2.4	
France	3.1		3.1	
Germany	3.8	(0.3)	3.5	
Ireland	0.9		0.9	
Italy	1.4		1.4	
Netherlands	0.2		0.2	
Spain	0.6		0.6	
United Kingdom	5.2		5.2	5.8
Euro				16.7
<b>North America</b>	20.6	(22.7)	(2.0)	32.1
Canada	1.9		1.9	3.2
United States of America	18.7	(22.7)	(3.9)	28.8
<b>Other</b>	1.9		1.9	1.9
<b>Sub-Total</b>	88.8	(23.0)	65.8	100.0
<b>Cash</b>	11.2	23.0	34.2	
<b>Total</b>	100.0		100.0	100.0

Long - 126 stocks, 2 swaps Short - 21 swaps, 3 indices

### 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	%
Minebea Co Ltd	Japan	Industrials	3.4
ZTO Express Cayman Inc	China	Industrials	3.4
Microchip Technology Inc	United States	Info Technology	3.3
Samsung Electronics Co	South Korea	Info Technology	2.9
Micron Technology Inc	United States	Info Technology	2.9
Tencent Holdings Ltd	China	Comm Services	2.7
Glencore PLC	Australia	Materials	2.6
Ping An Insurance Group	China	Financials	2.5
Weichai Power Co Ltd	China	Industrials	2.4
UPM-Kymmene OYJ	Finland	Materials	2.4
<b>Total</b>			<b>28.6</b>

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

SECTOR	LONG %	SHORT %	NET %
Industrials	19.4	(0.1)	19.3
Financials	14.6		14.6
Materials	13.6		13.6
Consumer Discretionary	12.2	(1.5)	10.6
Information Technology	13.2	(4.1)	9.1
Communication Services	5.3	(0.1)	5.2
Health Care	5.9	(1.5)	4.4
Real Estate	3.1		3.1
Consumer Staples	0.8		0.8
Energy	0.7		0.7
Other		(15.6)	(15.6)

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

- Weak Australian dollar turned a soft month in equity markets into a strong month for the Fund.
- 2021 year-to-date returns are broadly consistent with the Fund's long-term returns (i.e. 5-7 years).
- Divergence in markets is extreme and speculative elements should be cause for alarm.

#### Market Commentary

It is hard not to sound like a broken record, observing the craziness in markets – negative-yielding bonds, the value ascribed to unprofitable technology companies, the prevalence of special purpose acquisition companies “SPACs” (yesteryear’s “cash boxes”) and frenzies in cryptocurrencies and meme stocks. Experience tells us this will not end well, but the timing of the day of reckoning is uncertain.

However, while this has unfolded, we have been presented with opportunities to build a portfolio of solid reasonably priced businesses exposed to all the major themes of the world’s economic growth such as automation, travel and decarbonisation, while our holdings in semiconductors provide exposure to 5G, internet of things, cloud computing and other areas we feel people are over-paying to access directly.

The market is debating whether inflation will be transitory or longer lasting. Our portfolio would likely benefit from the latter, as the crowd’s positioning seems skewed to the former. A combination of looking for the ‘unloved’ and an assessment of the data, showing upward pressure in wages and rents, which tend to be sticky, lead us to feel comfortable with our positioning.

However, the longer we go without a meaningful correction, the more we are concerned about the risks of one occurring, and as such, the trend in the portfolio has been to increase the level of protection via short positions and cash.

#### Performance Analysis

Last month we explored in detail the journey of the portfolio since the November 2020 – February 2021 rally had fizzled out. Now, as we approach year end, we break down the returns for 2021, with one month to go. At this point, the portfolio’s return of 8% for the calendar year to 30 November is broadly consistent with the Fund’s long-term returns (i.e. 5-7 years).

The long part of the portfolio contributed 11% - with an average weighting of 89%. This means the average stock returned almost 13% (aided by the translation into a weaker Australian dollar). This is in line with the returns of world markets outside of the US, as measured by the MSCI AC World ex US (Source: FactSet).

The main contributors to the returns were four sectors – Industrials, Materials, Financials and Information Technology (IT). Given that the bulk of our IT exposure is in the semiconductor sector, these are primarily cyclical exposures which are driving the portfolio. This is consistent with comments above and our ongoing commentary about the divergence in markets, leading us to these sectors.

Among these sectors the leading stock contributors this calendar year have included:

- **Industrials:** Japanese bearings maker, MinebeaMitsumi and US industrial conglomerate, GE
- **Materials:** Miners, Glencore and Freeport McMoRan, and US buildings materials company, Louisiana-Pacific
- **IT:** US semiconductor companies, Microchip and Micron
- **Financials:** US online car finance company, Ally Financial and Eastern European bank, Raiffeisen Bank International.

For all the ructions in the Chinese market, as further reform measures concerned investors, the impact of our Chinese holdings was less than 1%, and as highlighted last month, our exposure to China since around 2014 has been very lucrative. We increased our Chinese position during the sell-off, re-introducing Tencent and Alibaba, which we had sold previously in light of them becoming too popular.

On the risk management side, short-selling losses were partially offset by small currency gains, for an aggregate cost of just over 1%. The biggest impact was an effort to protect the portfolio by shorting the very expensive Nasdaq index.

#### Valuation

The portfolio’s aggregate valuation metrics, for what it’s worth, are attractive in both an absolute sense and relative to the market, with a 42% higher starting earnings yield and a 39% discount on an asset basis (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	7.8% (Price-to-Earnings ratio of 13x)	5.5% (Price-to-Earnings ratio of 18x)
NTM Dividend Yield	2.4%	2.5%
Price-to-Book Ratio	1.7x	2.8x
Enterprise Value-to-Sales	1.3x	2.1x

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 30 November 2021.