

# Platinum Investment Bond - APIR Code: LIF2561AU

## Platinum International Fund



MONTHLY REPORT 30 April 2024

### FACTS

Portfolio value	\$2.05 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.1085

### 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>	41.8	(0.2)	41.7	61.6
Australia	0.3	(0.2)	0.1	1.4
China	22.4		22.4	22.4
Taiwan	3.3		3.3	3.3
India	2.9		2.9	2.9
Japan	8.5		8.5	26.4
South Korea	3.2		3.2	3.2
Other Asia-Pacific	1.2		1.2	2.0
<b>Europe</b>	23.5		23.5	27.4
Austria	1.3		1.3	
Finland	3.0		3.0	
France	5.1		5.1	
Italy	1.5		1.5	
Netherlands	1.1		1.1	
Switzerland	2.9		2.9	3.0
United Kingdom	8.0		8.0	10.0
Euro				14.4
Other Europe	0.5		0.5	0.1
<b>North America</b>	22.2	(1.4)	20.8	8.8
Canada	2.8		2.8	3.1
United States of America	19.4	(1.4)	18.0	5.7
<b>Other</b>	2.1		2.1	2.1
<b>Sub-Total</b>	89.6	(1.6)	88.1	100.0
<b>Cash</b>	10.4	1.6	11.9	
<b>Total</b>	100.0		100.0	100.0

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

STOCK	COUNTRY	INDUSTRY	%
ZTO Express Cayman Inc	China	Industrials	4.2
Alphabet Inc	United States	Comm Services	3.3
Taiwan Semiconductor	Taiwan	Info Technology	3.3
Allfunds Group Plc	UK	Financials	3.2
Samsung Electronics Co	South Korea	Info Technology	3.2
UPM-Kymmene Oyj	Finland	Materials	3.0
InterGlobe Aviation Ltd	India	Industrials	2.9
UBS Group AG	Switzerland	Financials	2.9
Tencent Holdings Ltd	China	Comm Services	2.8
Trip.com Group Ltd	China	Cons Discretionary	2.6
		<b>Total</b>	31.5

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

SECTOR	LONG %	SHORT %	NET %
Industrials	21.3	(0.1)	21.3
Financials	16.5	(0.5)	16.1
Information Technology	13.2	(0.8)	12.4
Consumer Discretionary	11.4	(0.1)	11.3
Communication Services	7.3	(0.2)	7.1
Materials	7.0		7.0
Energy	6.4		6.4
Real Estate	3.8		3.8
Health Care	1.4		1.4
Consumer Staples	1.1		1.1
Utilities	0.3		0.3

Long - 63 stocks, 1 swap, 2 other Short - 9 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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## Platinum International Fund

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

- The Platinum International Fund returned -0.5% for April 2024, beating the MSCI AC World Index which was down -2.9% for the month.
- Chinese stocks contributed 2.1% to monthly returns, mainly through consumer discretionary and real estate stocks. European stocks were the worst performers, detracting 1.0% from monthly performance.
- Platinum's investment philosophy has always been to find mispriced stocks and opportunities in areas that are out of favour and away from the crowd. We avoid trying to predict which direction the overall market is heading and instead look for attractively-valued idiosyncratic business opportunities to invest capital in over the medium to long term.

### Performance Analysis\*

The Platinum International Fund returned -0.5% for April 2024, outperforming the MSCI AC World Index which fell 2.9% for the month.

The Fund's Chinese holdings were the standouts, contributing 2.1% to monthly performance. The top contributor to portfolio performance was China Overseas Land and Investment Limited, a Hong Kong based real estate conglomerate. China's property sector has been in the doldrums for the past few years, however, we have seen the government recently announce further stimulus measures targeted at the sector. The latest urban village renovations and social housing programs are further signs the government is committed to helping the sector. The essence of the program is that the government can buy excess housing stock from developers to hold or rent out and/or buy housing in the secondary market to soak up inventory. The Fund's exposure to Chinese real estate is ~3%.

A major contributor to monthly returns – and a new addition to the Fund's top 10 stocks - is Alphabet, the parent company of Google. The Fund bought its original position in May 2023 when there were concerns that a potential US recession would trim the advertising revenue of the company. Since then, recessionary concerns have eased and while the stock price has increased by nearly 60% since May 2023, its valuation multiple has remained largely the same as the company has improved profitability.

The current mispricing opportunity in Alphabet's stock is the market's concern that AI will disrupt Google's search business. There are also questions around:

- how Google will be able to serve advertisements if they implement an AI ChatGPT style interface
- that the computing power required will be more expensive and therefore compress the company's margin.

There have been times in the past where investors worried about a platform change impairing Google's position in search. The first was the move away from desktop computers to mobile phones and the second was the increased uptake in voice assistants. In both those cases, the fear was overblown and we think this time will be the same. What gives us confidence is that Microsoft's search function, Bing, has integrated ChatGPT but failed to take market share away from Google. Given Google's market leading position, we think it well positioned to lead the AI-enabled search evolution. The company has proven they can address these threats and evolve their business e.g. they built Android to deal with the shift to mobile.

Alphabet have experience in making valuable AI products (e.g. Google Translate), they have their own specialist AI chips (the best chips independent of Nvidia) and they are positioning Google Cloud as the provider of choice for AI start-ups. We approach Alphabet like our other investments in the AI theme - we are investing in businesses that will benefit from the continued spend in AI but have good quality underlying businesses that are growing and can sustain their valuation multiples even if the spend or hype in AI dies down. This describes Alphabet, which is growing at double digits and trading at a substantial discount to other AI enablers like Microsoft

### An attractively valued portfolio

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a ~43% higher 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	8.3% (Price-to-Earnings ratio of 12.1x)	5.8% (Price-to-Earnings ratio of 17.1x)
NTM Dividend Yield	2.6%	2.4%
NTM Enterprise Value-to-Sales	1.8x	2.3x
LTM Price-to-Book Ratio	1.7x	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 30 April 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**