

Platinum Investment Bond - APIR Code: LIF2561AU

Platinum International Fund



MONTHLY REPORT 30 June 2024

FACTS

Portfolio value	\$2.09 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.1019

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	41.6	(0.2)	41.4	63.5
China	19.6		19.6	19.6
Hong Kong				3.6
Taiwan	4.5		4.5	4.5
India	2.7		2.7	2.7
Japan	8.5		8.5	26.5
South Korea	4.6		4.6	4.6
Other Asia-Pacific	1.8	(0.2)	1.6	2.0
Europe	23.7		23.7	23.7
Austria	1.3		1.3	
Finland	3.1		3.1	
France	3.1		3.1	
Italy	1.6		1.6	
Netherlands	1.2		1.2	
Switzerland	3.3		3.3	3.3
United Kingdom	8.4		8.4	8.4
Euro				11.2
Other Europe	1.8		1.8	0.9
North America	25.5	(1.9)	23.6	12.2
Canada	3.5		3.5	3.5
United States of America	21.9	(1.9)	20.0	8.6
Other	0.6		0.6	0.6
Sub-Total	91.4	(2.1)	89.3	100.0
Cash	8.6	2.1	10.7	
Total	100.0		100.0	100.0

TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND ²

STOCK	COUNTRY	INDUSTRY	%
Samsung Electronics Co	South Korea	Info Technology	4.6
Taiwan Semiconductor	Taiwan	Info Technology	4.5
ZTO Express Cayman Inc	China	Industrials	4.2
Alphabet Inc	United States	Comm Services	3.8
UBS Group AG	Switzerland	Financials	3.3
Tencent Holdings Ltd	China	Comm Services	3.1
UPM-Kymmene OYJ	Finland	Materials	3.1
Allfunds Group Plc	UK	Financials	3.0
Micron Technology Inc	United States	Info Technology	2.8
InterGlobe Aviation Ltd	India	Industrials	2.7
Total			35.1

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND ¹

SECTOR	LONG %	SHORT %	NET %
Industrials	18.9	(0.4)	18.5
Information Technology	18.2	(0.5)	17.7
Financials	16.9	(0.7)	16.2
Consumer Discretionary	11.4	(0.3)	11.1
Energy	6.8		6.8
Communication Services	6.9	(0.2)	6.8
Materials	5.5		5.5
Real Estate	3.3		3.3
Consumer Staples	2.2		2.2
Health Care	1.1		1.1
Utilities	0.3		0.3

Long - 58 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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This commentary relates to the underlying fund, the Platinum International Fund.

- The Platinum International Fund returned -2.0% for June 2024, taking the rolling one-year number to +4.8%.
- 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 to invest capital in attractively valued, idiosyncratic business opportunities over the medium to long term.

Performance Analysis*

The Platinum International Fund returned -2.0% for the month of June 2024. The long book detracted 1.3% from performance while cash and currency detracted 0.6%. The Fund had a large Yen position and was underweight the US dollar. This position moved against us in June when the USD settled at nearly 38-year highs against the Yen as Treasury yields on the long end rose sharply. Investors are on heightened alert for intervention from Japanese authorities designed to bolster the country's currency.

The MSCI All Country World Index rose +1.8% during the month, driven by the "Magnificent Seven" stocks, a group which has distorted relative outcomes in recent years. Concerns about market breadth were frequently aired with a ~350bp performance gap opening between market cap weighted index and its equal weight variant (-1.7% for the month of June).

Top contributors to performance were our semiconductor positions, Taiwan Semiconductor Manufacturing Company (TSMC), Broadcom, and Samsung Electronics. This is our preferred way to play the AI thematic. When a multipurpose technology such as AI comes along, it is important to pay attention because it will most likely have widespread applications (as was the case with the introduction of the internet and data on mobiles). However, it is very difficult to determine who will profit from the technology in the early stages of adoption. Platinum's preferred approach to investing in this space is to focus on companies who will do very well if AI spending continues to grow and who are trading at reasonable valuations vs. their history. However, we also prefer that the companies we invest in have strong non-AI related businesses that support the current valuations if the AI hype does not live up to expectations. This is the case with TSMC, Broadcom and Samsung Electronics.

Detractors to performance included Chinese parcel delivery business, ZTO Express, Canadian uranium company Cameco Corp and pulp and paper company UPM-Kymmene. Shares in ZTO Express were hit during June as the market dialled back market share estimates as the company said it would concentrate on profit rather than market share gains. While this is a short term hit, we think this is a smart pivot in strategy and will set ZTO Express up to take market share in the long term off irrational and unprofitable competition.

Shares in Cameco dropped as the uranium price retraced on fears of rising supply and worries the higher uranium price would have a negative impact on demand. Long term, we are still bullish on uranium as it is needed for the transition away from fossil fuel derived energy sources. The uranium sector has been struggling for over a decade and we think spot prices are still too low to incentivise a lot of idled mines. Planned maintenance at some paper mills weighed on shares in UPM-Kymmene. As with the other stocks, we think this is a short term impact and that our investment thesis is intact: the strong pulp market and the ramp up at the Paso de los Toros plant will bolster earnings.

A higher-yielding, attractively-valued portfolio

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a ~48% higher earnings yield and a ~38% 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 12.0x)	5.6% (Price-to-Earnings ratio of 17.7x)
NTM Dividend Yield	2.5%	2.3%
NTM Enterprise Value-to-Sales	1.9x	2.5x
LTM Price-to-Book Ratio	1.8x	2.9x

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 June 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.**