

# Platinum Investment Bond - APIR Code: LIF2561AU

## Platinum International Fund

MONTHLY REPORT 30 September 2021



### FACTS

Portfolio value	\$0.59 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$1.0117

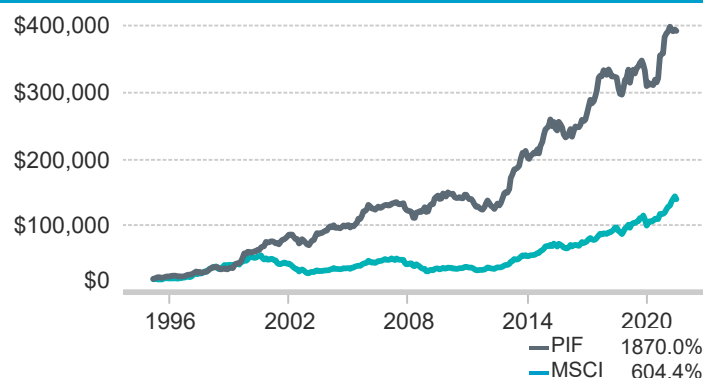
### FEES

Investment management fee	1.05% p.a.
Administration fee	0.30% p.a.
Investing transaction costs	0.30% on contributions

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

	Fund %	MSCI %
1 month	(0.5)	(3.0)
3 months	(0.7)	2.8
6 months	0.9	12.0
Calendar year to date	9.9	18.7
1 year	24.4	26.4
2 years (compound pa)	7.9	14.6
3 years (compound pa)	6.7	12.6
5 years (compound pa)	9.6	14.5
7 years (compound pa)	9.0	13.0
10 years (compound pa)	11.7	15.3
Since inception (compound pa)	11.9	7.7

### PERFORMANCE GRAPH OF PLATINUM INTERNATIONAL FUND<sup>2</sup>



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>	45.6		45.6	48.5
Australia	3.4		3.4	3.6
China	19.7		19.7	20.5
Hong Kong	2.3		2.3	2.3
India	1.6		1.6	1.9
Japan	13.4		13.4	14.9
Kazakhstan	0.2		0.2	0.2
South Korea	4.8		4.8	4.8
Thailand	0.2		0.2	0.2
<b>Europe</b>	21.0		20.9	22.2
Austria	1.8		1.8	
Denmark	0.4		0.4	0.4
Finland	2.3		2.3	
France	3.7		3.7	
Germany	4.1		4.1	
Hungary	0.1		0.1	0.1
Ireland	1.1		1.1	
Italy	1.7		1.7	
Netherlands	0.1		0.1	
Spain	0.9		0.9	
Sweden	0.1		0.1	0.1
United Kingdom	4.6		4.5	5.0
Euro				16.5
<b>North America</b>	18.6	(18.1)	0.5	28.0
Canada	1.4		1.4	2.7
United States of America	17.2	(18.1)	(0.9)	25.3
<b>Other</b>	1.4		1.4	1.4
<b>Sub-Total</b>	86.6	(18.1)	68.4	100.0
<b>Cash</b>	13.4	18.1	31.6	
<b>Total</b>	100.0		100.0	100.0

Long - 128 stocks, 2 swaps Short - 24 swaps, 3 indices

### TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND<sup>4</sup>

STOCK	COUNTRY	INDUSTRY	%
ZTO Express Cayman Inc	China	Industrials	3.3
Glencore PLC	Australia	Materials	3.0
Samsung Electronics Co	South Korea	Info Technology	2.9
Minebea Co Ltd	Japan	Industrials	2.9
Microchip Technology Inc	United States	Info Technology	2.8
Tencent Holdings Ltd	China	Comm Services	2.6
Weichai Power Co Ltd	China	Industrials	2.5
Ping An Insurance Group	China	Financials	2.4
UPM-Kymmene OYJ	Finland	Materials	2.3
Micron Technology Inc	United States	Info Technology	2.3
<b>Total</b>			26.9

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

SECTOR	LONG %	SHORT %	NET %
Industrials	19.3	(0.1)	19.2
Financials	14.6		14.6
Materials	14.3		14.3
Consumer Discretionary	11.8	(0.9)	10.9
Information Technology	11.3	(2.6)	8.7
Health Care	6.5	(0.7)	5.8
Communication Services	4.3	(0.1)	4.2
Real Estate	3.1		3.1
Energy	0.8		0.8
Consumer Staples	0.7	(0.1)	0.6
Other		(13.7)	(13.7)

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 AS\$. The investment returns depicted in the graph are cumulative on AS\$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 Fund's one-year performance remains well above long-term averages despite the recent pause.
- Despite concerns many express around China, there has been minimal impact on portfolio returns.
- The portfolio's cyclical bias aligns with visible evidence of strong economies and rising inflationary pressures.

#### Market Commentary

China's reform program, built around the idea of "Common Prosperity" has continued to scare foreign investors as its direct implementation has impacted big technology, education and the property sector, with Evergrande's financial woes widely covered, but not unexpected, and indeed, a direct result of policy. The danger for Western investors is to not be willing to look at China through a different lens. This is not helped by the media.

This, along with a debate about whether increasing signs of inflationary pressure is a transient or longer-lasting issue, are two of the key topics of debate in the market at present. The implications of higher rates have tended to coincide with bouts of more enthusiasm for economically sensitive companies. This is consistent with the market backing away from the "lower for ever" inflation and rates narrative, which has favoured the opposite i.e. growth and defensives.

We have talked at length about these issues, along with the relative attraction of more cyclical companies, which have been overlooked as investors chased growth stocks to ever-higher levels. In a world where money is 'free', the disruptors are seen to have fewer barriers to their ultimate success than they would do, if money was less readily available. The upcoming quarterly report will address the market backdrop in more detail.

With one eye on protection, the Fund was swift to increase the size of the short book late in the month, as bond yields started to move higher, which has a tendency to put pressure on the market darlings, and our approach here continues to be dynamic.

#### Performance Analysis\*

Over the last year, the Fund's strong returns have been a function of its cyclical tilt. Two-thirds of the portfolio is in broad sectors that might be termed cyclical, being Energy & Materials, Financials & Real Estate, Industrials and Consumer Discretionary, with a further one-sixth in Technology, which has been dominated by semiconductor players, as opposed to the global platforms that capture most attention. There is very little in what would traditionally be seen as defensive sectors – i.e. Healthcare, Utilities and Consumer Staples.

Over the 12 months to 30 September, 23% of the Fund's return came from the six cyclical sectors described above, though only 3% of this was in the last six months. Additionally, the Technology contribution was 7% over the year, though none of this in the last six months. Collectively, this captures the major themes in the portfolio including travel, semiconductors, "growth industrials", electric vehicles and broader decarbonisation, Chinese consumer.

Semiconductors (Samsung, Micron and Microchip) and Resources (Glencore, First Quantum, Seven Generations, Freeport McMoRan and Louisiana-Pacific) were eight of the top ten contributors over the year, along with Ally Financial and General Electric.

Over the last quarter, despite the headlines, the Chinese stocks in the portfolio only had a 1% impact on returns, while they have made a contribution of 1% over the last year. The portfolio has been increasing its exposure to the world's largest physical economy during recent bouts of negative sentiment.

#### Valuation

The portfolio's aggregate valuation metrics, for what it's worth, are attractive in an absolute sense, and relative to the market, with a 34% higher starting earning yield, and a 39% discount on an asset basis.

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	7.8% (Price-to-Earnings ratio of 13x)	5.8% (Price-to-Earnings ratio of 17x)
NTM Dividend Yield	2.4%	2.5%
Price-to-Book Ratio	1.7x	2.8x
Enterprise Value-to-Sales	1.3x	2.0x

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 September 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.