

# Platinum Investment Bond - APIR Code: LIF2561AU

## Platinum International Fund

MONTHLY REPORT 30 June 2022



### FACTS

Portfolio value	\$1.00 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$0.9757

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

	Fund %	MSCI %
1 month	(2.7)	(4.5)
3 months	2.5	(7.9)
6 months	(5.4)	(15.6)
Calendar year to date	(5.4)	(15.6)
1 year	(5.9)	(8.0)
2 years (compound pa)	9.0	8.4
3 years (compound pa)	4.4	6.9
5 years (compound pa)	5.6	9.4
7 years (compound pa)	5.9	8.7
10 years (compound pa)	11.2	13.2
Since inception (compound pa)	11.4	7.0

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>

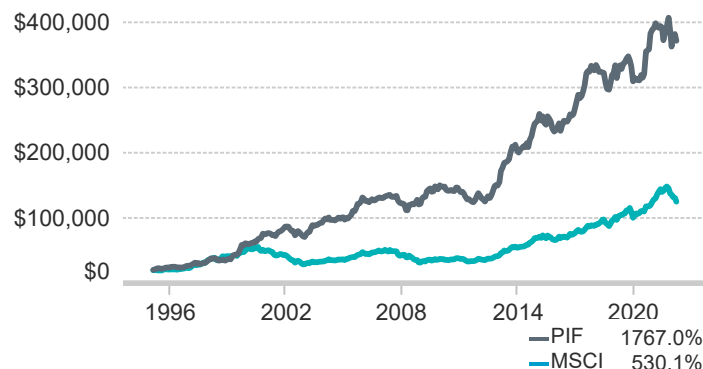
	LONG %	SHORT %	NET %	CCY %
<b>Asia-Pacific</b>	35.3	(3.8)	31.5	43.3
Australia	3.3	(1.8)	1.4	2.4
China	18.9		18.9	19.8
Hong Kong				3.1
India	1.8		1.8	1.8
Israel		(0.1)	(0.1)	(0.1)
Japan	7.6	(1.8)	5.8	12.6
Kazakhstan	0.2		0.2	0.2
South Korea	3.4		3.4	3.4
<b>Europe</b>	22.7	(2.3)	20.4	25.7
Austria	1.5		1.5	
Belgium	0.1		0.1	
Denmark		(0.1)	(0.1)	
Finland	2.3		2.3	
France	2.5		2.5	
Germany	4.4	(1.6)	2.8	
Ireland	0.7		0.7	
Italy	2.2		2.2	
Netherlands	2.2		2.2	
Other Europe		(0.5)	(0.5)	
Spain	0.5		0.4	
Switzerland	0.6		0.6	0.6
United Kingdom	5.7		5.7	7.9
Euro				17.2
<b>North America</b>	16.4	(14.0)	2.4	29.1
Canada	2.4		2.4	3.1
United States of America	14.0	(14.0)	(0.1)	26.0
<b>Other</b>	1.9		1.9	1.9
<b>Sub-Total</b>	76.3	(20.1)	56.2	100.0
<b>Cash</b>	23.7	20.1	43.8	
<b>Total</b>	100.0		100.0	100.0

Long - 113 stocks, 3 swaps, 1 option Short - 36 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	%
ZTO Express Cayman Inc	China	Industrials	3.5
Glencore PLC	Australia	Materials	2.9
Ping An Insurance Group	China	Financials	2.8
Microchip Technology Inc	United States	Info Technology	2.6
Minebea Co Ltd	Japan	Industrials	2.4
UPM-Kymmene OYJ	Finland	Materials	2.3
Trip.com Group Ltd	China	Cons Discretionary	2.2
Shell PLC	Netherlands	Energy	2.0
Beazley PLC	UK	Financials	2.0
Samsung Electronics Co	South Korea	Info Technology	1.9
<b>Total</b>			24.5

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

SECTOR	LONG %	SHORT %	NET %
Industrials	16.8	(1.4)	15.5
Financials	13.0	(0.9)	12.1
Materials	11.8	(1.1)	10.8
Consumer Discretionary	11.5	(3.5)	8.0
Information Technology	8.9	(3.8)	5.1
Energy	4.3		4.3
Health Care	3.4		3.4
Real Estate	2.7		2.7
Communication Services	3.4	(1.0)	2.4
Consumer Staples	0.5	(0.4)	0.1
Other		(8.1)	(8.1)

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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## Platinum International Fund

MONTHLY REPORT 30 June 2022

### MARKET UPDATE AND COMMENTARY

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

- Fund delivers positive return for quarter, despite global equity markets falling by 8%.\*
- Global equity markets down 16% for the calendar year to date as prolonged bull market comes to an end.
- Short selling has added 7% to the Fund's quarterly return and 8% so far in 2022 (before fees and costs).\*\*

#### Market Commentary

Global equity markets have had one of the poorest starts to any year observed by us in our 28-year history, with only 2002 and 2008 starting marginally worse. Indeed, this is only the third episode over that timeframe when global equity markets have fallen by 15% or more in A\$ terms, with the bursting of the technology bubble and the global financial crisis being the other two.

The last decade or more saw an incredible bull market with the story of 'disruption' at its centre, fuelled by an enormous wave of liquidity, which started in response to the financial system meltdown of 2008. This was perpetuated through European crises, episodic Chinese reform efforts and a global pandemic. While the market became ever-more speculative, many appeared to become increasingly comfortable with fanciful ideas, with their valuations benefiting from ultra-low interest rates.

We could wax lyrical about tides going out, music stopping or the party being over. However, quite simply, an inflationary pulse was the inevitable consequence of authorities' response to COVID-19, as we have been highlighting in our quarterly commentaries since June 2020. With this situation, rates could not remain as low as they were, and the effect of the removal of liquidity, is for the story of the day to lose its lustre.

While some of the recent moves down may seem dramatic, it is worth bearing in mind, the scale of the bull market, and as a reasonable rule of thumb, that we might give back 50-85% of these gains, based on historical market cycles.

In our view, we should start to see the 'truths' of the last decade called into question as time-tested principles, such as the importance of price paid, reassert themselves. The good news is that there were vast areas that didn't participate in the bubble, yet have strong prospects. Today, we feel that our long portfolio offers compelling value, but we remain wary of the need to protect capital against further lurches down. We have not yet seen widespread panic and observe that the prices of many 'fashionable' stocks remain well above pre-pandemic levels.

We remain excited by opportunities across decarbonisation, semiconductors, travel, Chinese consumers, European financials and growth industrials. On the short side, we continue to protect the portfolio with a range of positions in stocks that, in our view, have alarming fundamentals and/or valuations, most of which are in the technology and consumer areas. For more details, see the latest Quarterly Report to be released on 20 July 2022.

#### Performance Analysis\*\*

The Fund's strategy encompasses multiple elements which have roles to play at different times. In widespread market sell-offs it is hard to protect capital on the long side, and indeed, over the last quarter and year, the long portfolio has come under pressure. Although, pleasingly in the last quarter the Fund's Chinese holdings added 2% to returns.

It is in falling markets, such as those we are currently witnessing, that short-selling comes to the fore. Indeed, over the last quarter the Fund has benefited to the tune of 7% from its short positions and 8% over the first six months of 2022. A further 1% was added from active currency management over the quarter.

While the Fund is down 5% for the calendar year to date, in our view, the outcome would have been much worse without the flexibility in our approach.

#### Valuation

The portfolio's aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 49% 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	10.6% (Price-to-Earnings ratio of 9.4x)	7.1% (Price-to-Earnings ratio of 14.1x)
NTM Dividend Yield	3.4%	2.9%
Price-to-Book Ratio	1.4x	2.3x
Enterprise Value-to-Sales	1.3x	1.7x

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. As at 30 June 2022. NTM = next twelve months.

\*Market returns throughout this report refer to the MSCI AC World Net Index in A\$. Source: FactSet.

\*\*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.**