

Platinum Investment Bond - APIR Code: LIF2561AU

Platinum International Fund



MONTHLY REPORT 31 July 2022

FACTS

Portfolio value	\$1.01 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$0.9697

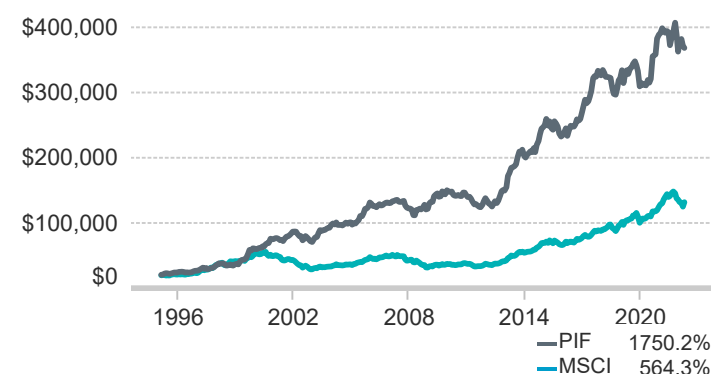
FEES

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

PERFORMANCE OF PLATINUM INTERNATIONAL FUND¹

	Fund %	MSCI %
1 month	(0.9)	5.4
3 months	(2.2)	(0.1)
6 months	(9.5)	(9.3)
Calendar year to date	(6.3)	(11.0)
1 year	(6.0)	(5.7)
2 years (compound pa)	8.8	10.7
3 years (compound pa)	3.3	8.1
5 years (compound pa)	5.1	10.8
7 years (compound pa)	5.3	8.7
10 years (compound pa)	11.4	13.9
Since inception (compound pa)	11.3	7.2

PERFORMANCE GRAPH OF PLATINUM INTERNATIONAL FUND²



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 FUND³

	LONG %	SHORT %	NET %	CCY %
Asia-Pacific	36.7	(3.7)	33.0	45.6
Australia	2.9	(1.6)	1.3	5.0
China	18.3		18.3	19.3
Hong Kong				1.4
Taiwan	0.1		0.1	0.1
India	2.2		2.2	2.2
Israel		(0.3)	(0.3)	(0.3)
Japan	8.8	(1.8)	7.0	13.5
Kazakhstan	0.2		0.2	0.2
South Korea	4.2		4.2	4.1
Europe	25.5	(1.0)	24.6	28.5
Austria	1.9		1.9	
Belgium	0.1		0.1	
Denmark		(0.3)	(0.2)	
Finland	2.6		2.6	
France	3.4		3.4	
Germany	4.4	(0.3)	4.1	
Ireland	0.8		0.8	
Italy	2.5		2.5	
Netherlands	2.5		2.5	
Other Europe		(0.3)	(0.3)	
Spain		(0.1)	(0.1)	
Switzerland	1.0		1.0	1.0
United Kingdom	6.4		6.4	8.6
Euro				18.8
North America	18.7	(4.9)	13.7	23.9
Canada	2.4		2.4	2.7
United States of America	16.2	(4.9)	11.3	21.2
Other	2.1		2.1	2.0
Sub-Total	83.0	(9.6)	73.4	100.0
Cash	17.0	9.6	26.6	
Total	100.0		100.0	100.0

Long - 118 stocks, 2 swaps, 1 option Short - 28 swaps, 2 indices

TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND⁴

STOCK	COUNTRY	INDUSTRY	%
ZTO Express Cayman Inc	China	Industrials	3.5
Microchip Technology Inc	United States	Info Technology	3.3
Ping An Insurance Group	China	Financials	2.7
Minebea Co Ltd	Japan	Industrials	2.7
UPM-Kymmene OYJ	Finland	Materials	2.6
Glencore PLC	Australia	Materials	2.3
Samsung Electronics Co	South Korea	Info Technology	2.2
Shell PLC	Netherlands	Energy	2.2
InterGlobe Aviation Ltd	India	Industrials	2.2
Beazley PLC	UK	Financials	2.2
Total			25.9

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND³

SECTOR	LONG %	SHORT %	NET %
Industrials	18.9	(1.4)	17.5
Financials	14.0	(1.2)	12.8
Materials	12.8	(0.5)	12.2
Consumer Discretionary	12.3	(2.7)	9.6
Information Technology	10.7	(2.0)	8.7
Energy	4.4		4.4
Health Care	3.5		3.5
Real Estate	2.5		2.5
Communication Services	3.6	(1.2)	2.4
Consumer Staples	0.4		0.4
Other		(0.6)	(0.6)

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, 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 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.

- Soft month for the portfolio against a backdrop of rebounding markets.*
- For the calendar year to date, shorts have provided considerable cushioning in weak markets.
- Looking forward, there are exciting themes on the long side, but we expect further broader market weakness ahead.

Market Commentary

After a very challenging first half of the year, global equity markets found some relief in July, with rampant oil prices and rising bond yields reversing direction. It is important to stress that bear market rallies are normal. Hence, at this stage, we don't see this as a sign that we are entering a new bull market.

Looking at the calendar year so far, we have seen equity markets effectively move down as bond yields (a proxy for future rate expectations) rose. Hence, as bond yields retraced a little, it was no surprise that elements of the equity markets would move higher in the short term.

There are, however, two aspects to bear markets: a reduction in valuations, which is what we have seen to some extent so far, albeit only in line with changes in bond yields; and a reduction in the earnings outlook. There are not many signs of the latter happening on a broad scale yet. Applying rules of thumb based on historic bull and bear markets, we would not be surprised to see further weakness, so remain cautious and alert to the rapidly changing backdrop.

In recent weeks, we increased our net exposure to the 70% range, including removing index shorts. This weighting is in line with our long-term average, and all else being equal, we would expect to add to short positions (i.e. reduce net exposure) if the markets move higher from current 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 positions in stocks that, in our view, have alarming fundamentals and/or valuations, most of which are in the technology and consumer areas.

Performance Analysis**

The portfolio has benefited from its broad tool kit during this year's market sell-off, with shorts contributing 6% to returns, providing considerable cushioning. These were skewed towards the "growthier" end of the market, which had been hot for some time leading into late 2021. The broad de-rating of equities, coincident with rising bond yields, meant the long side of the portfolio was not immune to the market sell-off. This is consistent with our experience in the two large bear markets of 2000-03 and 2007-09. On the positive side, within the long portfolio, the top contributors for the calendar year to date include Mosaic (fertiliser), China Overseas Land & Investment (Chinese property), Glencore (mining, commodities trading), Saras (Italian refiner) and Beazley (specialist insurer).

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 40% discount on an asset basis (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	10.1% (Price-to-Earnings ratio of 9.9x)	6.8% (Price-to-Earnings ratio of 14.8x)
NTM Dividend Yield	3.4%	2.8%
Price-to-Book Ratio	1.5x	2.5x
Enterprise Value-to-Sales	1.4x	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 31 July 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.