

Platinum Investment Bond - APIR Code: LIF2561AU

Platinum International Fund



MONTHLY REPORT 30 September 2022

FACTS

Portfolio value	\$1.03 mn
Option commenced	23 March 2021
Unit valuation	Adelaide Business Day
Net asset value (\$ per unit)	\$0.9676

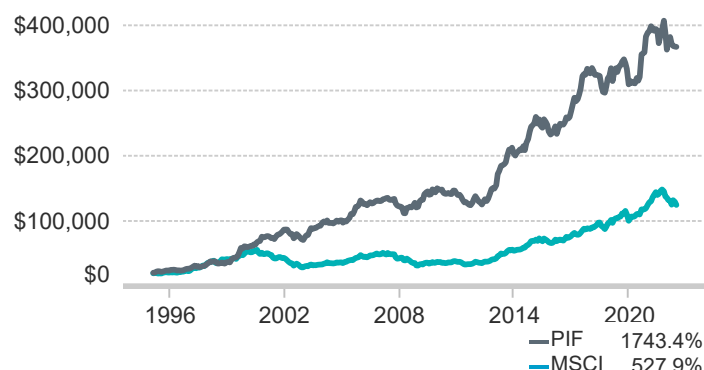
FEES

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	(0.1)	(3.6)
3 months	(1.3)	(0.3)
6 months	1.2	(8.2)
Calendar year to date	(6.6)	(15.9)
1 year	(6.4)	(10.9)
2 years (compound pa)	7.9	6.2
3 years (compound pa)	2.9	5.4
5 years (compound pa)	3.9	8.7
7 years (compound pa)	6.1	8.8
10 years (compound pa)	10.6	12.6
Since inception (compound pa)	11.2	6.9

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	34.6	(3.8)	30.8	44.5
Australia	1.7	(1.9)	(0.2)	3.2
China	18.6		18.6	19.7
Hong Kong				1.3
Taiwan	0.1		0.1	0.1
India	2.3		2.3	2.3
Japan	7.9	(1.8)	6.1	15.1
Kazakhstan	0.2		0.2	0.2
New Zealand		(0.2)	(0.2)	(0.2)
South Korea	3.7		3.7	3.7
China Renminbi Offshore				(1.0)
Europe	24.8	(0.1)	24.6	28.5
Austria	2.3		2.3	
Belgium	0.1		0.1	
Denmark	0.1	(0.1)		0.1
Finland	2.9		2.9	
France	3.5		3.5	
Germany	3.5		3.5	
Ireland	0.7		0.7	
Italy	2.4		2.4	
Netherlands	2.6		2.6	
Spain		(0.1)	(0.1)	
Sweden	0.1		0.1	0.1
Switzerland	0.7		0.7	0.7
United Kingdom	5.9		5.9	9.0
Euro				18.5
North America	17.6	(20.0)	(2.5)	25.0
Canada	1.6		1.6	1.7
United States of America	16.0	(20.0)	(4.1)	23.3
Other	2.0		2.0	2.0
Sub-Total	78.9	(24.0)	54.9	100.0
Cash	21.1	24.0	45.1	
Total	100.0		100.0	100.0

Long - 121 stocks, 2 swaps, 1 option, 2 other Short - 38 swaps, 2 indices

TOP TEN POSITIONS OF PLATINUM INTERNATIONAL FUND⁴

STOCK	COUNTRY	INDUSTRY	%
ZTO Express Cayman Inc	China	Industrials	3.6
Microchip Technology Inc	United States	Info Technology	3.2
UPM-Kymmene OYJ	Finland	Materials	2.9
Ping An Insurance Group	China	Financials	2.8
Minebea Co Ltd	Japan	Industrials	2.5
InterGlobe Aviation Ltd	India	Industrials	2.3
Shell PLC	Netherlands	Energy	2.3
Trip.com Group Ltd	China	Cons Discretionary	2.3
Beazley PLC	UK	Financials	2.1
Intesa Sanpaolo SpA	Italy	Financials	2.0
Total			26.0

INDUSTRY BREAKDOWN OF PLATINUM INTERNATIONAL FUND³

SECTOR	LONG %	SHORT %	NET %
Industrials	17.3	(1.6)	15.7
Financials	14.5	(1.3)	13.2
Materials	10.6		10.6
Consumer Discretionary	11.3	(4.0)	7.3
Energy	5.5		5.5
Health Care	3.5		3.5
Information Technology	9.6	(6.4)	3.3
Real Estate	2.6		2.6
Communication Services	3.4	(1.1)	2.3
Consumer Staples	0.5	(0.3)	0.3
Other		(9.2)	(9.2)

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.austliianunity.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 September 2022

MARKET UPDATE AND COMMENTARY

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

- An almost flat month for the portfolio as markets made new calendar year-to-date lows.*
- For the calendar year to date, shorts have continued to provide considerable cushioning in weak markets.
- Looking forward, there are exciting opportunities on the long side, but we expect further broad market weakness.
- Management of risk is paramount as we expect more volatile times ahead in markets.

Market Commentary

This has been one of the most extraordinary times in markets that the Fund has seen. The moves in currencies and bond yields during September looked, to use the much over-used phrase, “unprecedented” to us. In bear markets, we often find new and unknown corners of the market coming unstuck. In this bear market, one example seems to be the UK pension system’s hedging in so-called LDI trades or liability-driven investments. The fiscally lax mini-budget announced by the newly appointed UK Chancellor of the Exchequer, Kwasi Kwarteng, on 23 September 2022, sent bond yields skyrocketing and caused a near break in these LDIs - forcing the Bank of England to intervene in the bond market.

The US Federal Reserve (Fed) made it clear throughout September that they are not backing down on the inflation fight. We have seen an incredibly rapid increase in interest rates, which is causing real damage to the economy. However, we believe we are a long way from seeing dramatic cuts in rates from the Fed as this could very easily re-ignite its inflation problems. China continues to be in a completely different part of its economic cycle compared to the Western economies.

We have had an astonishing bull market in the US, driven by record levels of government spending and money printing. We are inclined to think that this will be a long and volatile bear market with similar drawdown levels to those seen in other cycles. Ahead of us is a very difficult period for corporate profits and earnings across the board. On the other hand, China has not experienced such speculation and remains an interesting area to explore for opportunities.

In recent weeks, we have reduced our net exposure to ~55%. The intra-month weighting was one of the lowest net market exposures that the Fund has ever had, and we will continue to protect capital by utilising short positions. We do, however, remain ~80% long-invested, and continue to buy stocks that we think have reached extremely cheap valuations.

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 9% 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), Glencore (mining, commodities trading), China Overseas Land & Investment (Chinese property), Beazley (specialist insurer) and Trip.com (online travel agent).

Valuation

The portfolio’s aggregate valuation metrics are attractive in both an absolute sense and relative to the market, with a 56% higher starting earnings yield and a 41% discount on an asset basis (see table below).

Metric	Platinum International Fund	MSCI AC World Net Index (A\$)
NTM Earnings Yield	11.2% (Price-to-Earnings ratio of 8.9x)	7.2% (Price-to-Earnings ratio of 13.8x)
NTM Dividend Yield	3.7%	3.1%
Price-to-Book Ratio	1.3x	2.2x
Enterprise Value-to-Sales	1.3x	1.6x

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 September 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.