

# Platinum European Fund



**Nik Dvornak**  
Portfolio Manager

## Disposition of Assets

REGION	31 MAR 2017	31 DEC 2016	31 MAR 2016
Germany	23%	24%	21%
UK	15%	16%	18%
Austria	9%	9%	6%
France	6%	7%	5%
Switzerland	5%	2%	2%
Italy	5%	6%	6%
US *	5%	4%	4%
Spain	4%	3%	5%
Russia	3%	4%	4%
Denmark	3%	0%	0%
Hungary	3%	3%	3%
Norway	3%	3%	2%
Netherlands	2%	3%	2%
Sweden	0%	1%	1%
Cash	14%	15%	21%
Shorts	-1%	-1%	0%

\* Stocks listed in the US, but predominant business is conducted in Europe.

Source: Platinum. Refer to note 3, page 3.

Download a copy of the full Platinum Trust March 2017 Quarterly Report to read the macro overview and general market commentary written by Andrew Clifford, CIO.

Beginning from February 2017, Nik Dvornak has been appointed the sole Portfolio Manager of the Platinum European Fund. Clay Smolinski ceased to co-manage the Platinum European Fund in order to focus on managing the Platinum Unhedged Fund and to take up co-management of the Platinum International Fund.

## Performance

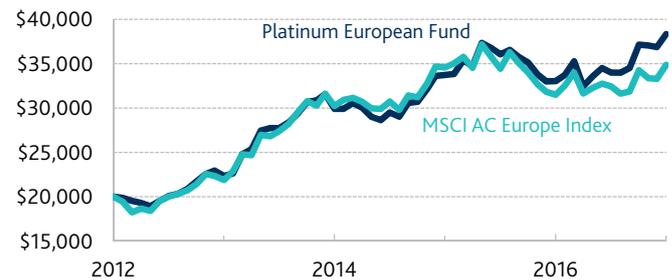
(compound pa, to 31 March 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund	3%	16%	9%	14%	12%
MSCI AC Europe Index	2%	11%	5%	12%	2%

Source: Platinum and MSCI Inc. Refer to note 1, page 3.

## Value of \$20,000 Invested Over Five Years

31 March 2012 to 31 March 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 3.

## Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank International	Austria	Financials	5.9%
IHS Markit Ltd	USA	Industrials	4.5%
Applus Services SA	Spain	Industrials	3.5%
Mediobanca SpA	Italy	Financials	3.4%
Hornbach Baumarkt AG	Germany	Consumer Disc	3.3%
Erste Group Bank	Austria	Financials	3.3%
Roche Holding AG	Switzerland	Health Care	3.0%
Scout24 Holding	Germany	IT	2.9%
Pandora A/S	Denmark	Consumer Disc	2.9%
OTP Bank Plc	Hungary	Financials	2.9%

As at 31 March 2017. Source: Platinum. Refer to note 4, page 3.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit <https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds>.

## Performance

European stock markets bottomed in July 2016, soon after the United Kingdom voted to leave the European Union. From that low point, stocks have appreciated roughly 30%, responding to reinvigorated economic activity, both in Europe and elsewhere. Despite all the ink spilt, concerns over the outcome of elections in the Netherlands, France and Germany did little to derail the rally. Indeed, the election result in the Netherlands can be viewed positively, for, while the populists did receive a large number of votes, they fared significantly less well than many had feared.

In 2016, European economic activity grew by 1.8%, a respectable outcome. The recovery is broad-based. Consumer and business sentiment indicators are approaching their pre-GFC highs. The manufacturing sector is in good health. And, vitally, employment is growing with 3.2 million jobs created in the European Union last year.

Turning to equity markets, the rebound in cyclicals continues, but the emphasis has shifted. While the rally was initially led by commodities and banks, in recent months Technology and Industrials have taken the baton. Consumer Staples also performed well after an attempted takeover of consumer goods giant Unilever by Kraft Heinz. Energy was the notable under-performer this quarter.

The Fund returned 3.2% for the quarter and 16.0% for the year (in Australian dollar terms). This compares to 1.8% and 10.7%, respectively, for our benchmark. The Fund's performance during the quarter was held back by its 14% cash position and our choice to avoid owning many Industrials and Consumer Staples at current valuations.

The performance of the portfolio had few unifying themes. It was largely stock-specific. A number of large positions where the investment thesis is playing out made large contributions to our performance. Examples include **Raiffeisen Bank** (+22%), **IHS Markit** (+18%) and **Applus** (+17%). Also helping us was the fact that there were few positions that cost us money. The main detractor was OTP Bank (-4%) which experienced a pullback after a long period of outperformance.

## Changes to the Portfolio

We added a handful of new stocks to the Fund. Among the larger positions are **Roche**, the Swiss pharmaceutical giant, and **Pandora**, a Danish purveyor of affordable silver jewellery well known to Australians. We also added to our position in German online classified business, **Scout24**.

Our selling concentrated on large positions that had performed, notably **Raiffeisen Bank**, **Lloyds Bank**, **Carnival** and **Kering**. We sold our stake in consumer healthcare business **Stada Arzneimittel** and telecom equipment maker

**Ericsson**. In Ericsson's case, we simply got it wrong and used a rebound in the stock price to sell out. In Stada's case, the thesis played out and the company received a number of attractive takeover offers.

Lastly, we established a significant position in the **Czech Koruna**. The Czech economy has been especially strong in recent years. Unemployment is the lowest in the European Union while wages, credit growth and inflation are rising. The adoption of unorthodox monetary policy by the European Central Bank motivated the Czech National Bank to commit to capping their exchange rate against the Euro, thereby preventing a loss of competitiveness against their largest trading partner. While the central bank acted to prevent Koruna appreciation, there was nothing to prevent it from depreciating. Yet, it has consistently traded at the ceiling set by the central bank.

Given the country's domestic economic strength, accelerating credit growth and building inflationary pressure, the Czech National Bank will likely look to normalise monetary policy. A first step in this direction would be to allow the exchange rate to float freely. Our assessment is that the Koruna is undervalued against the Euro based on economic fundamentals and is artificially restrained from appreciating by a central bank that has diminishing grounds for continuing this policy.

## Outlook

Incoming data paints a picture of ever greater economic vitality in Europe. Commentary from a broad range of companies confirms that the business environment is improving, both domestically and abroad. There is evidence that the resurgence in economic activity is spreading, with France, in particular, reporting better than expected performance and signs of life re-emerging even in Italy. Investor sentiment appears buoyant with European companies and analysts reporting increasing interest from international investors. The economic and market environment appears quite supportive of stock prices.

Political risks remain. The upcoming French election in April and May will keep investors on edge. So too will rising support for the populist Five Star Movement in Italy. It is also worth remembering that the economic recovery in Europe benefits in no small measure from the economic vigour currently on display in China.

The high valuations in some sectors of the market continue to be our main concern. However, significant dispersion remains both between and within sectors. As a consequence, we continue to find attractive investment ideas, as witnessed by the fact that we were able to add a number of new companies to our portfolio this quarter.

## Notes

- The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Funds' underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

The inception dates for each Fund are as follows:

- Platinum International Fund: 30 April 1995
- Platinum Unhedged Fund: 31 January 2005
- Platinum Asia Fund: 4 March 2003
- Platinum European Fund: 30 June 1998
- Platinum Japan Fund: 30 June 1998
- Platinum International Brands Fund: 18 May 2000
- Platinum International Health Care Fund: 10 November 2003
- Platinum International Technology Fund: 18 May 2000

(NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

- The investment returns depicted in this graph are cumulative on A\$20,000 invested in the relevant Fund over the specified five year period relative to the relevant benchmark index as follows (the "Index"):
  - Platinum International Fund – MSCI All Country World Net Index (\$A)
  - Platinum Unhedged Fund – MSCI All Country World Net Index (\$A)
  - Platinum Asia Fund – MSCI All Country Asia ex Japan Net Index (\$A)
  - Platinum European Fund – MSCI All Country Europe Net Index (\$A)
  - Platinum Japan Fund – MSCI Japan Net Index (\$A)
  - Platinum International Brands Fund – MSCI All Country World Net Index (\$A)
  - Platinum International Health Care Fund – MSCI All Country World Health Care Net Index (\$A)
  - Platinum International Technology Fund – MSCI All Country World Information Technology Net Index (\$A)

(NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. Platinum does not invest by reference to the weighting of the Index. Underlying assets are chosen through Platinum's individual stock selection process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index. The Index is provided as a reference only.

- Geographic exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all of the Fund's physical holdings, long derivatives (stock and index), and fixed income securities as a percentage of the Fund's net asset value.
- The table shows the Fund's top ten long stock positions as a percentage of the Fund's net asset value. Long derivative exposures are included. However, short derivative exposures, if any, are not.

- Sector breakdown represents the Fund's net exposure of any and all physical holdings and long and short derivatives (stock and index) as a percentage of the Fund's net asset value.
- The table shows the Fund's net currency exposures as a percentage of the Fund's net asset value, taking into account any currency hedging.

## Disclaimer

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum Trust® Funds (the "Funds"). This publication contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or particular needs, and should not be used as the basis for making investment, financial or other decisions. This publication may contain forward-looking statements regarding our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. Platinum does not undertake any obligation to revise any such forward-looking statements to reflect events and circumstances after the date hereof.

You should read the entire Product Disclosure Statement for the Platinum Trust® Funds ("PDS") and consider your particular investment objectives, financial situation and needs prior to making any investment decision to invest (or divest) in a Fund. You should also obtain professional advice prior to making an investment decision. You can obtain a copy of the current PDS from Platinum's website, [www.platinum.com.au](http://www.platinum.com.au) or by phoning 1300 726 700 (within Australia), 02 9255 7500 or 0800 700 726 (within New Zealand), or by emailing to [invest@platinum.com.au](mailto:invest@platinum.com.au).

No company or director in the Platinum Group® guarantees the performance of any of the Funds, the repayment of capital, or the payment of income. To the extent permitted by law, no liability is accepted by any company in the Platinum Group or their directors for any loss or damage as a result of any reliance on this information. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum).

Some numerical figures in this publication have been subject to rounding adjustments.

© Platinum Investment Management Limited 2017. All Rights Reserved.

## MSCI Inc Disclaimer

Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data (contained in this Quarterly Report) makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without express written consent of MSCI Inc.