

# Platinum European Fund



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Portfolio Manager

## Disposition of Assets

REGION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Germany	23%	23%	21%
UK	14%	15%	15%
Austria	9%	9%	6%
France	6%	6%	6%
Switzerland	5%	5%	2%
Italy	5%	5%	7%
US *	4%	5%	4%
Russia	3%	3%	4%
Spain	3%	4%	6%
Hungary	3%	3%	2%
Denmark	2%	3%	0%
Netherlands	2%	2%	2%
Norway	2%	3%	2%
Sweden	0%	0%	1%
Cash	19%	14%	22%
Shorts	-1%	-1%	-1%

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

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

## Performance

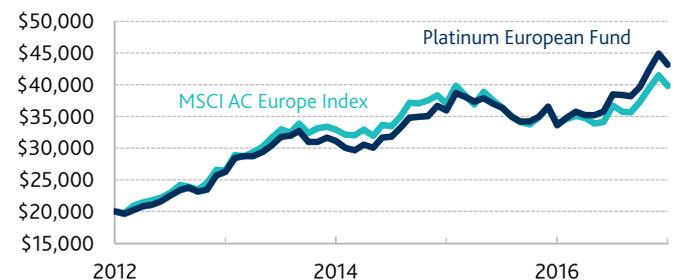
(compound pa, to 30 June 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund	9%	28%	12%	17%	12%
MSCI AC Europe Index	7%	17%	7%	15%	3%

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

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

30 June 2012 to 30 June 2017



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

## Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank International	Austria	Financials	5.5%
IHS Markit Ltd	USA	Industrials	3.7%
Erste Group Bank	Austria	Financials	3.2%
Mediobanca SpA	Italy	Financials	3.1%
Applus Services SA	Spain	Industrials	3.0%
Hypoport AG	Germany	Financials	3.0%
OTP Bank Plc	Hungary	Financials	2.9%
Kering	France	Consumer Disc	2.7%
Scout24 Holding	Germany	IT	2.7%
Sartorius AG	Germany	Health Care	2.5%

As at 30 June 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

Recent elections have demonstrated that while populists are now a force to be reckoned with, the majority of Europeans continue to reject their nationalist leanings and remain suspicious of easy fixes to issues like inequality and terrorism. Anxiety over changing political sentiments in Europe is receding. Attention is instead turning to the broadening and accelerating economic recovery currently underway.

Economic activity is growing at 2% per annum. With 2 million jobs having been created in the Eurozone over the last year, unemployment has fallen by almost a full percentage point to 9.5%. Surveys show that business and consumer confidence continues to build and even credit is growing once again, albeit at a cautious pace.

This has led to speculation that the era of Quantitative Easing may soon end. Mario Draghi's recent comment that the environment had become reflationary and the threat of deflation had diminished added fuel to the fire. The Euro appreciated 6.5% against the US dollar during the quarter while the yield on 10-year German government bonds rose to 0.46%, close to its highest level since the European Central Bank adopted Quantitative Easing in January 2015.

The election of Emmanuel Macron as the President of France adds to the cordial atmosphere. It reaffirms that most Europeans are wary of nationalist and populist sentiments. It raises hopes for a new era of Franco-German cooperation lending new dynamism to the European Project. And the strong mandate afforded to him in the subsequent parliamentary elections makes it highly likely that France is in store for the aggressive economic reform that its sclerotic economy so badly needs.

Plenty here to stir the animal spirits. Equity markets were led higher by cyclical sectors, although it is interesting to note the dispersion here. It was domestic-facing cyclicals (financials, transport) that led markets higher while global cyclicals (energy, mining, autos) were the worst performers.

The Fund returned 8.7% for the quarter and 28.5% for the year (in Australian dollar terms). This compares to 6.6% and 17.5%, respectively, for our benchmark.

The biggest contribution to our performance came from our holdings of banks and businesses operating in Eastern Europe. The main detractors were our holdings in the energy sector and the US dollar, which depreciated against the major European currencies.

## Changes to the Portfolio

We added to a number of holdings, including **Deutsche Börse**, a European derivatives clearing house and securities custodian, **Pandora**, a purveyor of affordable silver jewellery, and **TechnipFMC**, a provider of engineering services to oil companies.

We trimmed a number of positions that had performed well. These include **IHS Markit**, a provider of information services, and cruise operator, **Carnival**.

## Outlook

European economies are recovering and concern over political instability is diminishing. The Macron presidency will likely usher in much needed reform in France, potentially revitalising the region's second-largest economy. It may also see the re-emergence of close cooperation between France and Germany, giving the European Union the strong leadership it needs and presenting a united front against both internally divisive issues and external pressures.

The main risk we face is stretched valuations. That said, valuations in Europe are somewhat less stretched than in most other developed markets. And significant dispersion remains within the market. A number of sectors and countries within Europe continue to be unloved and we continue to uncover interesting investment ideas.

## 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 Funds' inception dates 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 exposure to company securities and long derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).
- The table shows the Fund's top ten long stock positions (including any company securities and long derivatives) as a percentage of the Fund's net asset value (before annual cash distribution).

- Sector breakdown represents the Fund's net exposure to any and all company securities and both long and short derivatives (stock and index) as a percentage of the Fund's net asset value (before annual cash distribution).
- The table shows the Fund's net currency exposures as a percentage of the Fund's net asset value (before annual cash distribution), taking into account any currency hedging.

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