Platinum European Fund

Nik Dvornak
Portfolio Manager*

Performance

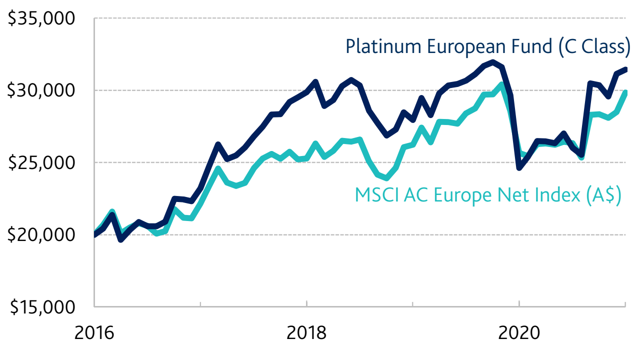
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	4%	28%	2%	9%	11%
MSCI AC Europe Index^	5%	16%	6%	8%	3%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Europe Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 4. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 4.

The Fund (C Class) returned 3.6% for the quarter and 27.7% for the year.[1]

European equity markets continued to rally over the quarter. Cyclical businesses led the market higher, with automotive and semiconductor stocks particularly strong. European investors are expressing a clear preference for businesses that export to China and the United States, where strong economic recoveries are underway.

Interest-rate sensitive sectors lagged. Investors are growing anxious that ongoing debt-funded fiscal spending will lead to broad price inflation and higher nominal interest rates. Within the euro area, anecdotal evidence of input price pressure is increasingly evident in official consumer price index data too. Rate hikes have begun in Eastern Europe and central banks in Norway and Czechia are preparing their markets for the possibility. Traditional bond-proxy sectors like Utilities, Consumer Staples and Real Estate performed poorly as a consequence. So too did the Technology and Healthcare sectors. These fast-growing companies will ostensibly earn the bulk of their lifetime earnings in the distant future. The present value of these earnings rose as interest rates fell, but valuations are now extremely high and this is at risk of unwinding as interest rates rise.

Share price weakness among our travel-related companies (**MTU Aero Engines** -6% over the quarter) was a key detractor from performance. Initially, investors were optimistic that the development of highly effective vaccines would lead to a recovery in travel in time for the European summer peak. As the difficulty of producing and distributing billions of vaccine doses became clear, this enthusiasm evaporated. With new infections rising once more in the month of March, travel stocks fell sharply.

Various healthcare stocks (**MorphoSys** -21%) and technology firms (**Hypoport** -12%) also detracted from performance.

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum European Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

* Effective from 1 April 2021, Adrian Cotiga will join Nik Dvornak as co-manager for the Fund. Adrian joined Platinum in 2015 as an investment analyst in the Asia regional team. In December 2019, he moved to the financials and services sector team and continues as team leader.

Our best-performing stocks were cyclicals not exposed to the travel industry (**Bank of Ireland** +28%, **Fondul Proprietatea** +19% and **ASML** +30%).

Changes to the Portfolio

We exited our position in **IHS Markit**, having bought this company during its initial public offering in 2014. The business has grown significantly since then. It has also come to trade on a much higher valuation multiple as investors became more familiar with its strengths and prospects. IHS Markit is currently in the process of merging with S&P Global. Our main reason for selling the stock is that the successor entity will no longer meet the definition of a European company under our investment mandate.

We also sold our holding in Swiss pharmaceutical giant, **Roche**. This business has successfully navigated the patent cliff that was the source of so much investor angst when we bought it a few years ago. Today, the share price is significantly higher and we think the funds can be better applied elsewhere.

We added to our position in **Bayer AG,** a stock trapped in purgatory, as it slowly digests its much-maligned acquisition of Monsanto and attempts to manage a patent cliff in its pharmaceutical segment.

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Germany	17%	15%	20%
United Kingdom	14%	13%	9%
Spain	10%	10%	8%
France	9%	9%	5%
Romania	8%	7%	8%
Ireland	7%	7%	4%
Switzerland	6%	9%	6%
Norway	6%	6%	9%
Austria	4%	4%	4%
United States	4%	6%	7%
China	4%	4%	4%
Finland	3%	3%	0%
Italy	2%	2%	4%
Netherlands	2%	2%	1%
Denmark	1%	1%	2%
Australia	0%	0%	3%
Russia	0%	0%	1%
Cash	4%	3%	3%
Shorts	-7%	-14%	-12%

See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Bayer and Corteva dominate the market for corn and soy seeds and associated chemicals. Specific traits are engineered into their seeds, including resistance to particular chemicals that can then be applied as herbicides or fungicides without harming the crop. The industrial structure is favourable: barriers to entry are high, with the companies having developed their seed libraries over decades, the market has consolidated and the customer base is fragmented.

Demand for corn and soy is supported by growing demand for meat in emerging markets and biofuels in developed markets. Competitive intensity is currently elevated as Corteva tries to capitalise on its improved competitive position. However, rational competition is in the interest of both parties and we expect this segment to be highly profitable over time.

Bayer's pharmaceutical business centres on cardiology, oncology, ophthalmology and women's health. Xarelto (anti-coagulant) and Eylea (macular degeneration) account for around 40% of the segment with both losing exclusivity in coming years. Until then, these drugs will continue generating a steady stream of cash, which is being funnelled into acquisitions to supplement the research pipeline. The company has been acquiring businesses in the highly prospective field of gene and cell therapy and can build on this bridgehead. While managing a patent cliff is tricky, pharmaceutical companies have proven remarkably adept at it. As Bayer's new pipeline takes form, we expect the narrative to shift from the paucity of the pipeline to excitement over the new products entering clinical trials.

Valued at merely 9x earnings it seems the market is still too obsessed by the sins of the past to contemplate how the future may develop. For our part, we readily acknowledge

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Financials	25%	25%	22%
Industrials	18%	19%	17%
Health Care	12%	11%	17%
Consumer Discretionary	9%	11%	14%
Communication Services	8%	9%	7%
Energy	6%	6%	6%
Materials	5%	5%	3%
Information Technology	4%	3%	7%
Real Estate	3%	2%	1%
Consumer Staples	-1%	0%	0%
Other	0%	-8%	-10%
TOTAL NET EXPOSURE	89%	83%	84%

See note 4, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

their past misdeeds, but also tend to see them as a spark that may ignite some much-needed cathartic change among the board and executive management team.

Outlook

A year ago, we repositioned the portfolio. European stock markets had fallen around 40% in a matter of weeks and the shares of businesses directly impacted by the pandemic had fallen much further. We consciously looked to add high-quality businesses that rarely offered buying opportunities, rather than simply trying to buy those stocks that had fallen farthest. We did so with a three-year investment horizon in mind.

Most of the businesses we bought at the time are worth considerably more today. However, many still trade well below their pre-COVID stock prices, whereas the broader market has recovered all its lost ground. This reflects underlying conditions. While many industries have returned to pre-COVID levels of activity, the businesses we bought tend to remain obstructed by the rolling lockdowns. This is particularly true for businesses dependent on freedom of travel. However, this needs to be seen in context. We are one year into a three-year recovery and the thesis is playing out as well as we would have hoped at the time. We retain high conviction in these positions and believe perseverance will be well rewarded.

Looking more broadly, however, we would reiterate the caution we expressed last quarter. Investors are increasingly willing to price in 'normalisation', no doubt responding to the development of effective vaccines, generous fiscal expansion and constant reassurance that central banks are willing to tolerate a prolonged period of higher inflation. Our expectation is that the struggle to contain COVID-19 will be drawn out and that, even when it is over, the world will be different in many respects.

Debt levels are rising with each subsequent wave of infections and lockdowns. This debt is being used simply to tide people over, not increase the productive capacity of the economy. Money is being spent but it's unclear who will foot the bill. Business owners cannot afford to be complacent, even if they navigate the pandemic without incurring any debt. They will still depend on customers and will still be subject to taxation by governments, both of whom will emerge heavily indebted. This burden will be shared, one way or another.

Inflation and rising interest rates will be a key determinant of how this burden is ultimately shared. That inflation and rising rates have suddenly become the subject of lively debate is perhaps a sign that this is dawning on investors. The problem is that a decade of quantitative easing, with seemingly no adverse outcomes, will have desensitised all of us to the inherent risks.

We are also acutely aware of some longer-term societal changes, which are easy to lose sight of in the pandemic.

- Following a hiatus since the mid-1980s, the traditional model of economic governance appears to be experiencing a resurgence in Western democracies; one where the national interest takes precedence over commercial imperatives.
- Nationalism is reasserting itself, both economically and politically.
- Calls for the redistribution of income and wealth are growing louder.
- A new superpower is assertively pursuing its interests on the global stage, highlighting some disturbing ideological differences in the process.

Businesses need to adapt to these changes. They may have to choose sides, serve the national interest, completely re-think their supply chains and justify their social licence as never before. Business is essentially a constrained optimisation problem where one needs to maximise profit subject to a list of constraints. The number of constraints look set to grow significantly and this has a direct bearing on how much profit they can extract.

Valuations have become much more demanding over the past year. While Europe has largely escaped the heady excesses of some other markets, we are struggling to find attractive new investment ideas. We are also concerned that investors and companies themselves are too complacent about a range of risks. We intend to continue trimming stocks that have performed well and build our cash position.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
BioNTech	Germany	Health Care	4.6%
Fondul GDR	Romania	Financials	4.3%
Bank of Ireland	Ireland	Financials	4.1%
Raiffeisen Bank	Austria	Financials	3.9%
Booking Holdings Inc	US	Cons Discretionary	3.8%
Prosus NV	China	Cons Discretionary	3.7%
Banco Santander SA	Spain	Financials	3.6%
Informa PLC	UK	Comm Services	3.5%
Beazley PLC	UK	Financials	3.4%
Applus Services	Spain	Industrials	3.4%

As at 31 March 2021. See note 5, page 4.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pef.

Notes

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. [The gross MSCI index was used prior to 31/12/98]. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
4. The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. 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".
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

Disclaimers

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 European Fund (the "Fund"). 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 needs, and should not be used as the basis for making investment, financial or other decisions. You should read the entire Platinum Trust® Product Disclosure Statement (including any Supplement(s) thereto) ("PDS") and consider your particular investment objectives, financial situation and needs before making any investment decision to invest in (or divest from) the Fund. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 0800 700 726 (within New Zealand) or +61 2 9255 7500, or by emailing to invest@platinum.com.au. You should also obtain professional advice before making an investment decision.

Neither Platinum nor any company in the Platinum Group®, including any of their directors, officers or employees (collectively, "Platinum Persons"), guarantee the performance of the Fund, the repayment of capital, or the payment of income. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum). To the extent permitted by law, no liability is accepted by any Platinum Person for any loss or damage as a result of any reliance on this information. This publication 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 any Platinum Person as to their accuracy or reliability. This publication may contain forward-looking statements regarding Platinum's intent, beliefs or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. No Platinum Person undertakes any obligation to revise any such forward-looking statements to reflect events and circumstances after the date hereof.

MSCI Disclaimer

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).