Platinum European Fund

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Portfolio Manager

Performance

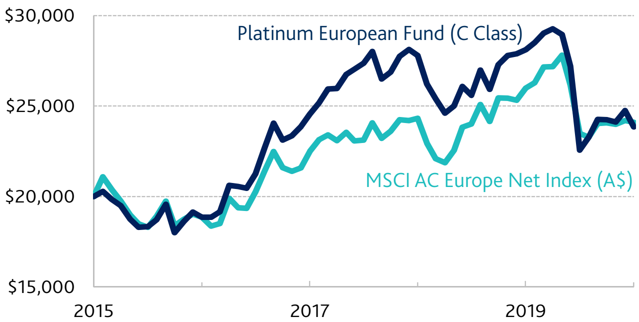
(compound p.a.+, to 30 September 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	-2%	-15%	-1%	4%	10%
MSCI AC Europe Index^	0%	-7%	2%	4%	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

30 September 2015 to 30 September 2020



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 -1.6% for the quarter.[1]

European equities were flat over the quarter. Initially the market narrative centred on signs of recovering economic activity as lockdown measures were eased. This gave way to concerns that a second round of lockdown measures would be needed to contain a renewed surge in COVID-19 infections. At the time of writing, the United Kingdom, France and Spain were all reporting record levels of daily new infections.

Such circumstances would ordinarily bode poorly for cyclical businesses but their performance varied widely. Consumer discretionary, industrials and materials stocks led the market higher, while banks and energy were the weakest sectors. It is noteworthy that within the consumer discretionary and industrials sectors, export-oriented businesses performed strongly, however, domestic-facing and travel-dependent businesses fared poorly. This divergent performance speaks to the strength of the economic recovery in China as much as it does to anxiety over a second round of lockdowns in Europe.

The Fund underperformed the benchmark over the quarter. The primary reason for this is that a significant portion of our capital is invested in businesses that are exposed to travel and healthcare. Both face significant disruption from lockdowns; for travel businesses the link is probably obvious but for healthcare companies it is worth elaborating.

The healthcare companies the Fund is invested in typically have innovative new product pipelines. During a lockdown they cannot recruit candidates for clinical trials, their sales representatives cannot meet doctors to explain the benefits of new medications and doctors are reluctant to change a patient's treatment without a physical consultation. The patients themselves are self-isolating, avoiding doctors and hospitals, because they are already ill and at higher risk should they contract COVID-19.

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.

Thus, lockdowns delay the development and commercialisation of innovative drugs, while the clock keeps ticking on the patents that protect them from competition. The impact on the drug developer is therefore real, but it is a transitory impediment. The demand for more effective cancer treatments will not have changed.

We believe our travel and healthcare companies have strong market positions and sell innovative products for which there will be strong demand over the next decade. In our view, their balance sheets can absorb these recurrent lockdowns. We expect these businesses to thrive over the next decade. But it is precisely because the next few months are likely to be tumultuous that we have a window to buy them at attractive prices.

Changes to the Portfolio

Following the significant changes made to the portfolio earlier in the year, there were few changes this quarter. We trimmed a number of our better-performing positions. These were mainly technology businesses, including **Hypoport**, **Prosus**, **Schibsted** and **Adevinta**. The proceeds were invested in a couple of travel-related businesses, primarily **Aeroports de Paris (ADP).**

Airports are vital pieces of infrastructure with strong end-market growth. What distinguishes them from other infrastructure assets is that, despite being natural monopolies, they have somehow convinced regulators to allow them to capitalise on that captive growth through a number of unregulated side-hustles.

ADP owns a number of French airports but their key asset is Charles de Gaulle, the second-busiest airport in Europe and the international gateway to Paris. At the risk of being overly sentimental, Paris is a very romantic city with an extremely rich cultural heritage that draws people of all ages and nationalities. The relevance of this, is that Paris is a destination in its own right, not merely a gateway to a wider tourism market. A destination airport is a much more valuable asset than a gateway or transit airport.

ADP's share price has halved since January and is trading at 2013 levels despite revenue being almost 70% higher in 2019 than it was in 2013. This is at odds with the market's ravenous appetite for infrastructure assets and bond-like equities, particularly those with very long duration, like ADP.

The reason we can buy this asset at such an attractive price is obvious. Firstly, investors are reluctant to buy travel-related businesses until they are convinced the COVID-19 pandemic is ending. Secondly, they are particularly circumspect when it comes to long-haul international travel and business travel. They expect these types of travel to recover slowly and to a lesser extent than domestic and leisure travel.

Disposition of Assets

REGION	30 SEP 2020	30 JUN 2020	30 SEP 2019
Germany	18%	19%	16%
United Kingdom	12%	12%	7%
Spain	9%	9%	7%
Switzerland	8%	6%	7%
France	8%	6%	5%
Romania	8%	8%	8%
Norway	7%	7%	12%
United States*	6%	7%	9%
Ireland	5%	4%	5%
China	4%	5%	1%
Austria	4%	4%	7%
Denmark	2%	3%	2%
Russia	2%	2%	2%
Italy	2%	2%	3%
Netherlands	1%	1%	0%
Poland	1%	2%	3%
Australia	0%	0%	3%
Cash	2%	4%	2%
Shorts	-4%	-21%	-16%

* Stocks that are listed on US exchanges, but whose businesses are predominantly conducted in Europe.
See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 SEP 2020	30 JUN 2020	30 SEP 2019
Industrials	19%	16%	23%
Financials	18%	18%	19%
Health Care	17%	18%	14%
Consumer Discretionary	13%	17%	12%
Communication Services	10%	8%	4%
Information Technology	6%	8%	5%
Energy	4%	5%	8%
Materials	2%	0%	5%
Real Estate	2%	1%	1%
Consumer Staples	-1%	0%	-3%
Other	4%	-17%	-8%
TOTAL NET EXPOSURE	94%	76%	81%

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

We can sympathise with this view but we cannot ignore the fact that this is an extremely attractive asset. Its value is underpinned by its natural monopoly characteristics and the attractiveness of Paris as a tourist and business destination. The pandemic has changed neither its competitive position nor Paris's appeal. It has merely rendered ADP temporarily unable to capitalise on them. Once vaccines and therapeutics are widely available, we expect activity at Charles de Gaulle to resume and ultimately surpass the 2019 level. Until then, the business has the financial capacity to withstand a couple of turbulent years if necessary.

Outlook

The near-term outlook for European equities remains delicately poised. We highlighted the risk of a second wave of lockdowns as a distinct possibility in previous reports and the market has now become much more attuned to this possibility. There is a prevailing sense that European governments will be more willing to shut down their economies than their American counterparts. While the European economy showed signs of a rebound during the northern hemisphere summer, we expect the recent rise in COVID-19 infection rates to arrest this.

Vaccines and therapeutics remain the primary means of decisively tackling the pandemic. There are a large number of candidates currently in clinical trials but wide availability is unlikely until the northern hemisphere spring. Timing is critical as the economy's capacity to weather each subsequent round of lockdowns will deteriorate dramatically as the damage to balance sheets cumulates.

Looking further ahead, we expect that once effective vaccines and therapeutics become widely available, consumer behaviour will largely revert to pre-pandemic norms, although some changes may be longer-lasting or even permanent.

Currently, we see many attractive opportunities to invest capital arising from investors' reluctance to assume near-term risk. This strong preference for safety is best illustrated by the 0.9% yield on 100-year Austrian government bonds.[2] Those familiar with the political upheaval and inflation that Austria experienced during the past 100 years will be well aware of the utter desperation this behaviour displays. A corollary of this behaviour is the huge opportunity it opens for those prepared to weather near-term uncertainty, which is precisely how our portfolio is positioned.

2 Source: Bloomberg.

Net Currency Exposures

CURRENCY	30 SEP 2020	30 JUN 2020	30 SEP 2019
Euro (EUR)	46%	46%	37%
British pound (GBP)	12%	13%	8%
Swiss franc (CHF)	9%	6%	20%
US dollar (USD)	8%	9%	4%
Romanian leu (RON)	8%	8%	8%
Norwegian krone (NOK)	7%	7%	12%
Chinese yuan (CNY)	4%	5%	1%
Danish krone (DKK)	2%	3%	2%
Russian rouble (RUR)	2%	2%	2%
Polish zloty (PLN)	1%	2%	3%
Australian dollar (AUD)	0%	0%	4%

See note 5, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Hypoport SE	Germany	Financials	5.0%
BioNTech	Germany	Health Care	4.3%
Fondul GDR	Romania	Other	4.2%
Booking Holdings Inc	US	Cons Discretionary	4.1%
Banca Transilvania	Romania	Financials	3.9%
Prosus NV	China	Cons Discretionary	3.9%
Amadeus IT Holdings	Spain	Info Technology	3.7%
Raiffeisen Bank	Austria	Financials	3.6%
Schibsted ASA	Norway	Comm Services	3.6%
Beazley PLC	UK	Financials	3.2%

As at 30 September 2020. See note 6, 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 net exposures to the relevant currencies through its long and short securities positions, cash at bank, cash payables and receivables, currency forwards and long and short securities/index derivative positions, as a percentage of its portfolio market value. Currency classifications for securities reflect the relevant local currencies of the relevant Bloomberg country classifications. The table may not exhaustively list all of the Fund's currency exposures and may omit some minor exposures.
6. 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

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