Platinum European Fund

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Overview

- The realignment of global trading and security structures embarked on by the Trump administration has had a negative effect on markets and could continue to do so. However it has also sparked a push to re-energise European institutions and refocus on growth. Germany's huge fiscal and defence industry package is a defining symbol of that change.
- The Fund benefited from good performance by Swiss giant **Nestlé**. Sentiment around the company was poor but by quarter end the market appeared more confident about management's approach to cost-cutting and divestment and its ability to manage rising coffee and cocoa prices.

Performance

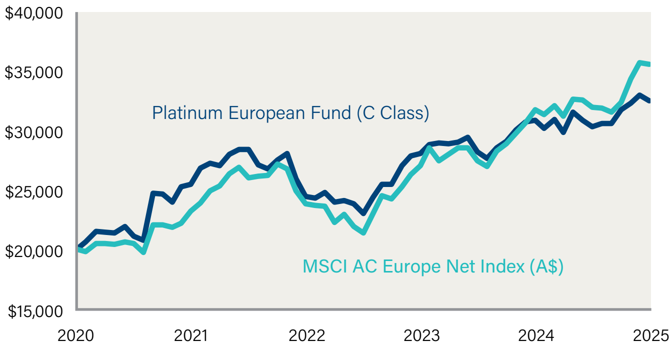
compound p.a.+, to 31 March 2025

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	2%	5%	10%	10%	10%
MSCI AC Europe Index^	10%	12%	14%	12%	4%

+ 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 5. Numerical figures have been subject to rounding.

Value of $20,000 invested over five years

31 March 2020 to 31 March 2025



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 5.

This quarter has been eventful, marked by shifting trade winds, geopolitical undercurrents and the beginning of a cautious change to Europe's economic structures. Against this backdrop, the Fund delivered a modest gain.

The new American administration has delivered a message of tough love to the European establishment, from asking NATO members to step up defence spending to pushing up tariffs.

This seems to question the economic and security settlement that sustained the US/European alliance since 1946. In response, Germany approved a vast fiscal spending program, equivalent in size to a combined Marshall Plan/German Reunification spend – $500bn for defence and another $500bn for infrastructure.

The prospect of higher fiscal spending and higher growth saw European equities perform well, driven by banks (+20% YTD), industrials (+6%), and defence stocks.

While some of our stocks participated in the rally, our performance lagged due to lower exposure to industrial stocks and our tilt to diversified financials, like London Stock Exchange, over banks.[1]

The spectre of US tariffs loomed large over European markets this quarter. On 2nd of April, the US announced a 20% tariff on European imports. We're waiting to see the full range of European Union responses. It has mentioned "robust countermeasures," though this may be counterproductive and some leaders have stressed their willingness to continue negotiations.

Puma runs out of room

The Fund's performance this quarter was a tale of two sides: steady gains from defensives and financials offset by stumbles in some turnaround names and growth-oriented holdings.

Société Générale, the large French bank, was a significant contributor to performance as the market gained confidence in the execution of its strategy. **Nestlé**, the powerhouse Swiss owner of Nescafe and KitKat, delivered a solid performance (+19% YTD) as negative sentiment around the company improved throughout the quarter. **Beazley**, the UK based insurer, performed well (+13.5%) on the back of a solid earnings result and positive surprise on capital return.

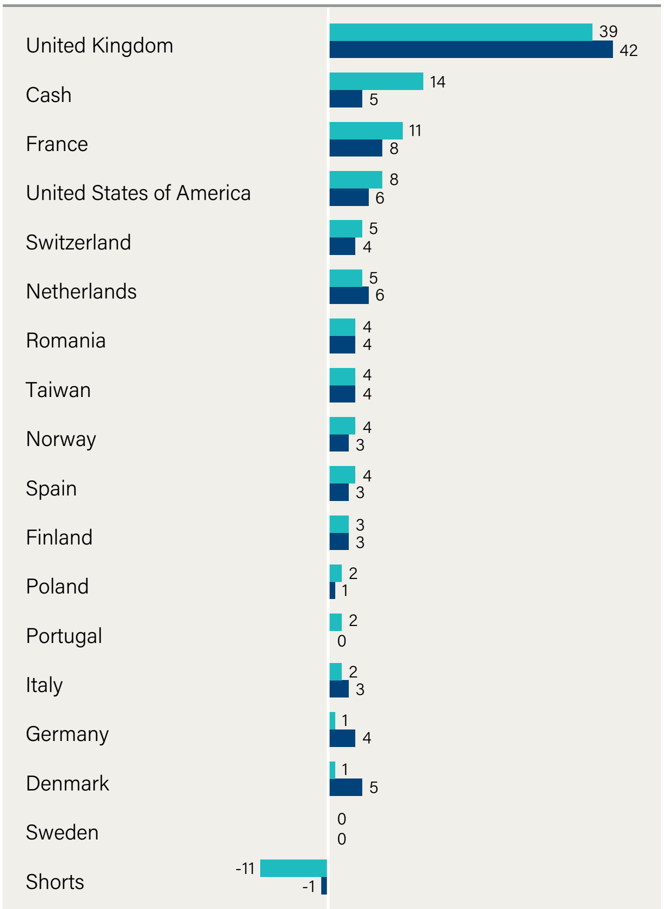
The main detractor from quarterly performance was **Puma**, the German sportswear brand which was down nearly 50% over the quarter. Following the 4Q24 profit warning, we cut our losses and exited the position. It is clear it will take much longer than we anticipated for Puma to build the sustained 'brand heat' needed to generate future sales growth at full price sell-through rates. After our sale, there was more negative news and the stock fell further. Another detractor was **Flutter**, the sports betting and online gaming company, down 14% on news of increased taxes.

Sentiment on **ASML** (-10%) was hit by fears over Chinese semiconductor equipment spending and the health of Samsung and Intel's foundry businesses. Both are major ASML customers. News flow around tariffs and export restrictions added to uncertainty over the semiconductor supply chain.

Traditionally, improvement in computational performance was achieved by reducing the size of transistors, using more advanced lithography systems from ASML. In the near term, the company may face some headwinds as its customers migrate to a new transistor architecture (gate-all-around) which reduces lithography intensity.

1 Sector returns based on Stoxx Europe 600 sector Indices.

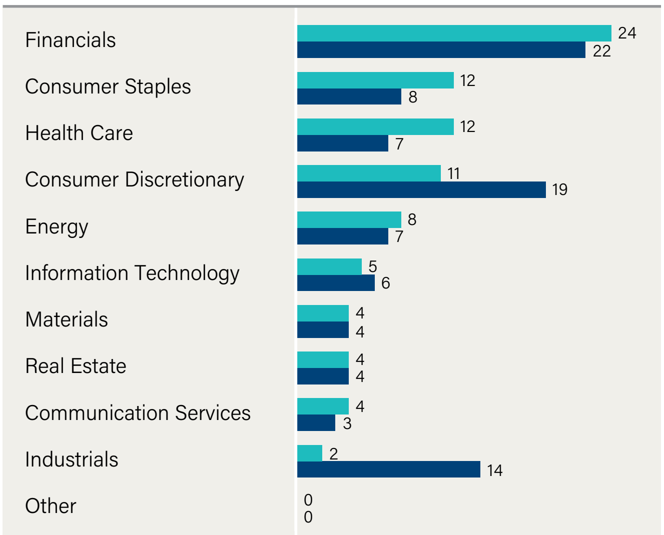
Disposition of Assets %



31 MAR 2025 31 DEC 2024

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



31 MAR 2025 31 DEC 2024

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Nestle SA	US	Consumer Staples	4.6%
Allfunds Group Plc	UK	Financials	4.4%
Banca Transilvania SA	Romania	Financials	4.4%
London Stock Exchange	UK	Financials	4.2%
ASML Holding NV	Taiwan	Info Technology	4.2%
Barclays PLC	UK	Financials	3.9%
Societe Generale S.A. Class A	France	Financials	3.8%
Foxtons Group PLC	UK	Real Estate	3.7%
Cellnex Telecom SA	Spain	Comm Services	3.5%
Rentokil Initial PLC	UK	Industrials	3.3%

As at 31 March 2025. See note 5, page 5.
Source: Platinum Investment Management Limited.

ASML is now trading at valuations at the low end of its historic range. As a virtual monopoly in lithography systems, which are indispensable to chip manufacturing, we see the stock as attractive. It has recently posted strong performance on system booking numbers.

Commentary – Europe's pivot point?

Rising real incomes, ECB easing and a deeper single market should support consumption and investment in Europe. Taking Germany's striking fiscal policy moves as a starting point leads us to believe that Europe's pivot to self-sufficiency and domestic growth is a slow burn move – but a real one.

We've structured our long portfolio to respond to these forces. Later in the quarter, we shorted a basket of stocks across different industries that are likely to suffer from trade friction and weaker demand from the US.

We used some temporary weakness to add to our Nestlé position. Food stocks are out of favour due to the arrival of GLP-1 (Ozempic-type) products. There are also concerns the health impacts of ultra processed products would cut demand for packaged food.

However, Nestlé isn't just a food company – products likely to be affected by GLP-1 adoption account for ~33% of operating profit. They are not key segments for the company, and some will likely be sold. Nestlé could also benefit from developing products to complement GLP-1 use.

Secondly, investors are questioning Nestlé's long term growth potential, given slowing growth in some core categories and market share loss. However, Nestlé has leading positions in attractive categories and slowing growth is partly the result of temporary operational issues and a post-Covid lull in certain categories.

Thirdly, Nestlé is exposed to rising coffee and cocoa prices. The market questions Nestlé's ability to increase their prices to offset this, given significant price hikes taken in FY22 and 23. However, we believe Nestlé should be able to manage coffee and cocoa price inflation. These categories are less price elastic than other parts of Nestlé's portfolio – consumers will keep buying chocolate and coffee even though prices are rising. The company also has extensive experience managing fluctuations in these commodity prices.

Given limited divestment and cost cutting measures so far, some market participants doubt the new management team is committed to turning around the business. We believe it is too early to assume management is finished with rationalisation. During the quarter sentiment around Nestlé improved and the stock ended up around 19% YTD.

Early in the quarter we established a new position in Société Générale SA, the third largest bank in France. Société Générale was perceived as a complex, low return on equity (ROE) bank that could be a value trap.[2] There was a similar concerns with our other large banking holding, **Barclays**, before it embarked on a strategy to boost shareholder returns and ROE.

There are signs that the SocGen story is changing. Management's focus has shifted to improving returns on capital by optimising the balance sheet, divesting low return businesses and potentially doing large share buybacks which makes a lot of sense given its low valuation. Until recently, the market didn't truly believe the improvement story, wanting to see tangible evidence of consistent execution. The most recent earnings release was that catalyst. With the backdrop of rising interest rate expectations the share price has appreciated ~40% since our first purchase.

Outlook

Looking ahead, we're threading a needle between opportunity and caution. A full-blown trade war would depress growth and stoke inflation, but a softer stance on tariffs might ease the pressure. Geopolitical risks ranging from Ukraine to the Middle East are keeping commodity markets on edge, though a potential ceasefire in Eastern Europe could lift sentiment and the Euro.

European nations are often typecast as high taxing and high spending. Yet, writing in the Financial Times, Mario Draghi pointed out that the US government used deficit financing to inject five times more money into the US economy than Europe did between 2009-2024. That's meant relatively weak consumer confidence and lower economic activity in Europe.

The sense of crisis occasioned by shifting geopolitics means there's now more chance European governments will open the cash spigots. That cash surge could be augmented by falling interest rates and the push to reshore manufacturing.

Amidst these headwinds, Europe is quietly working at improving its economic resilience. Governments and companies are pivoting toward self-sufficiency and domestic consumption, a trend we view as a structural tailwind. We remain cautiously optimistic as we navigate an increasingly complex landscape.

2 A company that appears attractive on valuation metrics but is actually cheap for a reason, such as poor management or weak growth prospects.

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. Country classifications for securities reflect Bloomberg's "country of risk" designations. "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.

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