Platinum European Fund

Adrian Cotiga
Portfolio Manager

Nik Dvornak
Portfolio Manager

Performance

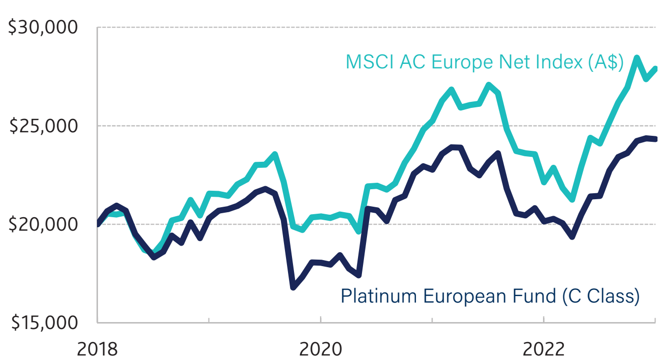
(compound p.a.+, to 30 June 2023)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	3%	21%	10%	4%	10%
MSCI AC Europe Index^	3%	26%	11%	7%	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 4. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 June 2018 to 30 June 2023



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 3.0% for the quarter.[1]

European equities ended the quarter modestly higher, supported by robust corporate earnings, which in turn benefited from euro depreciation in 2022 and a surprising degree of pricing power.

Euro Area inflation peaked at 10.6% p.a. in October 2022.[2] Wage inflation was around 5% p.a. at the time. This resulted in a large income transfer from labour to business, which is unlikely to persist. Indeed, inflation has now decelerated to 5.5% p.a., while wage inflation is practically unchanged.

The yield on two-year German bunds is currently 3.2% p.a., below core inflation at 5.4% p.a. It is also below the European Central Bank (ECB) policy rate of 3.5% p.a., with more rate hikes flagged.[3] This low yield implies that bond markets expect significant rate cuts at some point over the next 24 months, presumably due to disinflation and slowing economic activity. This is at odds with buoyant equity markets.

Among our best-performing stocks were **Applus Services** (+37%), **Ryanair** (+17%) and **ASML** (+6%). Applus is a Spanish-domiciled testing, inspection and certification business trading on a low valuation, which has attracted interest from private equity groups. Ryanair is benefiting from a resurgence in travel demand, while ASML is expected to enjoy strong demand for its lithography equipment as companies invest to develop artificial intelligence (AI) capabilities.

Noteworthy detractors included **Bayer** (-14%), **Fondul Proprietatea** (-9%) and **BioNTech** (-13%). On the latter, we invested in BioNTech some years ago, attracted by its excellent research team and prospective drug pipeline. The stock has fallen around 70% from its 2021 highs as investors fret that COVID-booster sales will be weak. We recently began re-establishing a position. Not only does BioNTech still have the same excellent research team and drug pipeline that initially attracted us to the company, but they now also have EUR 20 billion of cash in the kitty.

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.

2 All economic data is sourced from https://tradingeconomics.com/

3 Source: FactSet Research Systems.

Changes to the Portfolio

Since there were no significant changes to the Fund over the last quarter, we will instead discuss the progress of the single largest investment theme the Fund has been exposed to over the past three years: A recovery in travel demand.

Our investment philosophy is premised on:

- Looking for opportunities in out-of-favour segments of the market.
- Seeking out situations where investors are overreacting to transitory shocks due to psychological biases.
- Investing with a 3-5-year investment horizon.

Our decision to invest over 20% of the Fund's capital in travel-related businesses during the darkest days of the COVID pandemic is a case in point. We explained this decision in our June 2020 Quarterly Report as follows.

"Naturally, 2020 will be the ultimate exception with the industry deep in uncharted territory. Europe's largest carrier reported a 99.6% fall in passenger volumes in April. Few are willing to buy a business in an industry undergoing such a violent contraction in demand, especially when they've never experienced a global pandemic and have no precedent for when or how it might be resolved.

Therein lies the opportunity. Travellers have disappeared but the innate human desire to travel has not."

Most investors avoided travel-related businesses at the time, as evidenced by the sharp falls in those stock prices. Some may have shared our view but avoided buying because they feared the reaction of superiors or clients. Others may have been reluctant to seize the opportunity because the lack of a precedent made them feel too uncomfortable; fear of the unknown is an innate human trait too.

For our part, we had over 20% of our capital invested in travel-related businesses at the time. These included **Booking Holdings**, **Ryanair**, **Airbus**, **Aeroports de Paris**, **MTU Aero Engines**, **Amadeus**, **Informa** and **Compass**. We knew 2020 would be a trial by fire for them all, but we believed they were all well-positioned to emerge stronger and more profitable within 3-5 years.

Now that three years have passed, how have some of these businesses performed?

Ryanair is Europe's largest domestic airline.[4] Their disruptive low-cost model allowed them to offer extremely cheap tickets profitably, undercutting much larger and better-resourced incumbents. Ryanair made a record loss in 2020 as consumers abandoned travel plans. However, we believed their strong financial position would allow them to negotiate highly favourable terms with suppliers (labour, airports, Boeing), which would leave them well-placed when passengers returned. Ryanair is expected to earn EUR 1.8 billion pre-tax this year and then continue growing.

Ryanair

EUR, 000s	Mar '20	Mar '21	Mar '22	Mar '23	Mar '24E	Mar '25E	Mar '26E
Sales	8,495	1,636	4,801	10,775	12,867	14,106	15,278
Pre-tax Income	670	-1,109	-430	1,443	1,891	2,504	2,884

Source: FactSet Research Systems.

4 Source: Statista.

Disposition of Assets

REGION	30 JUN 2023	31 MAR 2023	30 JUN 2022
United Kingdom	27%	27%	22%
Germany	9%	8%	7%
Switzerland	8%	8%	8%
France	7%	7%	7%
Netherlands	6%	6%	4%
Ireland	6%	5%	5%
Romania	6%	8%	8%
Spain	4%	3%	3%
Austria	3%	3%	4%
United States	3%	4%	3%
Australia	2%	2%	1%
Norway	2%	2%	1%
Finland	2%	2%	2%
Czech Republic	1%	1%	2%
Sweden	1%	1%	1%
Hungary	0%	0%	0%
Belgium	0%	0%	1%
Italy	0%	1%	4%
China	0%	0%	2%
Cash	12%	11%	16%
Shorts	-30%	-26%	-26%

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

Net Sector Exposures

SECTOR	30 JUN 2023	31 MAR 2023	30 JUN 2022
Financials	28%	30%	29%
Industrials	17%	16%	15%
Consumer Discretionary	8%	9%	10%
Health Care	7%	7%	7%
Information Technology	7%	6%	1%
Communication Services	7%	6%	6%
Materials	4%	4%	3%
Energy	3%	4%	4%
Real Estate	2%	2%	2%
Consumer Staples	2%	2%	2%
Other	-25%	-22%	-22%
TOTAL NET EXPOSURE	58%	63%	58%

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

Booking Holdings is a leading global online travel agent (OTA). These businesses require a large sales force (feet on the street) to acquire and service their suppliers, namely hotels and airlines. However, once established, there are strong network effects at play, and incremental margins are very high. Moreover, the business requires little capital to grow. In short, in our view, this is a great business. Even better, the industry is highly consolidated, and its main competitor, Expedia, was hamstrung by the fact that it hadn't adequately integrated its many acquisitions. Booking's earnings fell sharply in 2020 when demand evaporated, but pre-tax profit is expected to return to pre-COVID levels this year and then continue growing.

Booking Holdings

USD, 000s	Dec '19	Dec '20	Dec '21	Dec '22	Dec '23E	Dec '24E	Dec '25E
Sales	15,066	6,796	10,958	17,090	20,632	22,969	25,071
Pre-tax Income	5,958	567	1,465	3,923	6,006	6,993	7,978

Source: FactSet Research Systems.

Airbus, alongside Boeing, is part of a global duopoly that produces large passenger aircraft. Developing modern aircraft costs billions, takes over a decade, and requires a critical mass of specialised engineers. Barriers to entry are high, with customer trust earned over many years. Demand for modern aircraft models is strong, driven by pressure to reduce fuel costs and CO2 emissions. Airbus entered COVID with an order backlog stretching many years into the future. However, as airlines deferred orders during the pandemic, Airbus found itself in a difficult position. They couldn't risk standing down their highly specialised workforce in case they moved on. Airbus ended up losing over EUR 1 billion in 2020. However, they are expected to earn almost EUR 6 billion pre-tax this year and then continue growing.

Airbus

EUR, 000s	Dec '19	Dec '20	Dec '21	Dec '22	Dec '23E	Dec '24E	Dec '25E
Sales	70,478	49,912	52,149	58,763	64,306	72,496	82,342
Pre-tax Income	765	-1,169	4,987	4,941	5,864	7,243	9,367

Source: FactSet Research Systems.

Over the last three years, we have trimmed many of our travel-related positions and sold Amadeus, Aeroports de Paris and MTU Aero Engines entirely. We believe that the companies we own in this space are outstanding businesses, and we will continue to hold them until we feel they are overvalued or there are better opportunities available elsewhere. Today, travel-related businesses continue to account for around 20% of our invested capital, despite our trimming. This is primarily due to strong stock price performance; these positions have, on average, appreciated 40% over the past year.

Outlook

European equities have recovered most of the ground lost during 2022, with both the German DAX and French CAC 40 indexes sitting near all-time highs. We reiterate that the benign outlook implied by equity markets is at odds with that of the bond market, which expects meaningful interest rate cuts over the next two years as the economy weakens.

Moreover, the economic environment is not particularly rosy. Short-term interest rates across Europe are significantly higher than they were a year ago, core inflation is showing resilience, and central banks continue to suggest there are more rate hikes to come. The tailwind of a weaker euro in 2022 will likely become a headwind over the next year. Inflationary pressures are fading, implying less pricing power for businesses, while wage pressures are unlikely to ease with unemployment at record lows. Moreover, geopolitical risk remains high, and China's post-COVID recovery is proving somewhat tepid.

Offsetting this, energy prices in Europe have normalised, consumer confidence has improved significantly and the US economy remains remarkably resilient.

Overall, the seeming disconnect between strong equity markets and the tepid economic outlook leaves us cautious, and this is reflected in our positioning. The Fund is currently 58% net invested, with 12% in cash and 30% in short positions.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Airbus SE	France	Industrials	4.7%
Informa PLC	UK	Comm Services	4.7%
Ryanair Holdings PLC	Ireland	Industrials	4.4%
Beazley PLC	UK	Financials	4.4%
ASML Holding NV	Netherlands	Info Technology	4.2%
Applus Services SA	Spain	Industrials	4.1%
Banca Transilvania SA	Romania	Financials	3.7%
Bayer AG	Germany	Health Care	3.5%
Barclays PLC	UK	Financials	3.2%
St James's Place PLC	UK	Financials	3.0%

As at 30 June 2023. 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. 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.

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. The Fund's target market determination is available at www.platinum.com.au/Investing-with-Us/New-Investors. 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).