Platinum European Fund

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Portfolio Manager

Performance

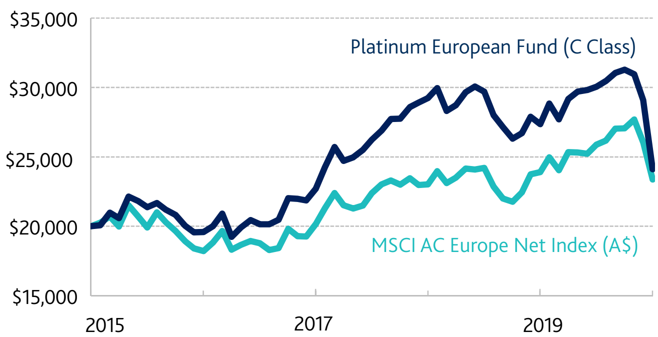
(compound p.a.+, to 31 March 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	-23%	-12%	2%	4%	10%
MSCI AC Europe Index^	-14%	-2%	5%	3%	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.
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 2015 to 31 March 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.
See notes 1 & 2, page 4.

The Fund (C Class) returned -22.9% over the quarter.[1]

The quarter began with a promising outlook for European equities. Trade tensions between the United States and China had been placed on hold. The global manufacturing downturn had stabilised with activity poised to rebound. In Europe, the services sector and labour market remained in good shape. Investor confidence was recovering and there were many attractively priced stocks in Europe, albeit mostly cyclicals. We expected a cyclical recovery in 2020 and the Fund was positioned accordingly.

The outlook deteriorated rapidly with the spread of the coronavirus disease (COVID-19) in China. By late-January, Chinese authorities were imposing severe restrictions on the movement of people and social contact to combat contagion. The so-called 'lockdowns' applied to hundreds of millions of people and were highly successful; by late-February the rate of new infections had plummeted saving the hospital system from being overwhelmed. The lockdowns, however, had a devastating economic impact. In February, Chinese retail sales fell 20%, business investment fell 25% and the PMI[2] leading indicator for the services sector fell from a healthy 52 to an unheard-of 26. For Europe, these developments were a harbinger of what was to come. Yet, European equities rallied throughout this period with the Euro Stoxx 600 index reaching an all-time high on 19 February. Two days later, a cluster of infections was uncovered in the Lombardy region of Northern Italy. Within two weeks, most European countries had imposed some form of lockdown and within three weeks the Euro Stoxx 600 index had fallen 40%.

In mid-February, concerned by developments in China and the complacency of European markets, we sought to protect the portfolio by selling index futures. This action was both appropriate and timely, but it merely blunted the impact. The Fund significantly underperformed the broader market in the subsequent carnage.

We made two critical errors in judgement. Our first error was closing our short positions too soon. As China struggled to

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

2 PMI Services Sector Business Activity Index - China. Source: FactSet.

contain its COVID-19 outbreak earlier in the year, the Shanghai A-Share Index fell 15% from peak to trough. This reference point led us to expect European markets to fall perhaps 20%. We began covering our short positions once European markets had fallen 15% and had closed almost all our shorts by the time market had fallen 25%. European markets ended up falling almost 40%.

Our second error was not selling the cyclical stocks we owned. Many of these stocks had already fallen significantly and were trading well below our assessment of fundamental value. We believed there was a significant 'margin of safety' – an allowance for things to go wrong – already factored into the price we paid. In reality, the margin of safety proved to be an elastic concept, widening as uncertainty increased and these stocks fell far more than the broader market.

Bank of Ireland is a good case in point. This bank operates in a structurally attractive economy, is one of two leading banks in a four-bank market and faces rational competition, earning margins that would make Australia banks blush. We paid 6x earnings and 0.4x book value for this bank. Yet Bank of Ireland's stock price still fell 60% in the three weeks to 18 March 2020, trading well under 0.2x book value.

Our worst-performing positions were our cyclicals, including banks (**Bank of Ireland** -65%, **Raiffeisen Bank** -40%), retailers (**SMCP** -59%), miners (**Glencore** -47%) and energy (**TGS-NOPEC** -56%, **Saras** -40%). Our best performing stocks were the healthcare names (**BioNTech** +72% and **Qiagen** +23%).

Disposition of Assets

REGION	31 MAR 2020	31 DEC 2019	31 MAR 2019
Germany	20%	20%	19%
Norway	11%	13%	9%
Switzerland	9%	12%	11%
United Kingdom	9%	7%	10%
Spain	8%	6%	8%
Romania	8%	7%	5%
United States*	7%	7%	5%
Netherlands	6%	3%	1%
Austria	4%	6%	7%
Ireland	4%	6%	3%
Italy	4%	3%	2%
France	4%	2%	6%
Denmark	2%	1%	2%
Russia	1%	1%	2%
Poland	0%	2%	3%
Hungary	0%	0%	1%
Cash	3%	2%	7%
Shorts	-12%	-5%	-8%

* 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.

Changes to the Portfolio

We increased our short positions in mid-February. These were almost entirely closed by mid-March but we began reinstating them slowly at quarter-end as markets rallied.

During the last few weeks we have been selling stocks that have performed relatively well, such as Qiagen and Deutsche Boerse, and used the proceeds to buy stocks that have fallen a lot. While we selectively added to existing positions (Applus, Saras) most of our buying involved adding new companies to the portfolio. These are typically well-managed businesses with strong competitive positions in growing industries. We have tracked many of these companies for years but were never able to justify the high valuations sellers demanded. In recent weeks the market price for some of these businesses had fallen significantly, either because their end-markets were directly impacted by COVID-19 (e.g. travel) or because their customers will be impacted by measures to contain the virus (e.g. semiconductors).

Our currency positioning has also changed. As often happens during periods of heightened uncertainty the US dollar appreciated sharply against most major currencies. Both the Australian dollar and the British pound had fallen to extreme levels and we increased our holdings of both.

Outlook

Markets do not react well to uncertainty. The COVID-19 outbreak has unleashed plenty of it, with few useful historic

Net Sector Exposures

SECTOR	31 MAR 2020	31 DEC 2019	31 MAR 2019
Financials	18%	20%	17%
Health Care	17%	17%	11%
Industrials	17%	19%	23%
Consumer Discretionary	14%	13%	9%
Information Technology	7%	3%	4%
Communication Services	7%	5%	7%
Energy	6%	8%	8%
Materials	3%	5%	5%
Real Estate	1%	2%	1%
Consumer Staples	0%	-3%	-2%
Other*	-6%	4%	3%
TOTAL NET EXPOSURE	84%	92%	85%

* Includes index shorts and other positions.
See note 4, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

precedents to help us quantify the size and scope of the fallout. Investors have rushed to sell, sending equity markets into freefall. Fear is the prevailing emotion. During these episodes it's all too easy to think the current state of affairs must persist or indeed, deteriorate. Doing so is dangerous as it can blind us to signs of receding uncertainty. Progress is indeed being made, both in combating this pandemic and on smoothing its economic impact.

On the medical front lockdowns are proving successful in slowing or halting contagion, buying time. Hospital systems are expanding capacity; Italy has increased its intensive care unit capacity by 40% (to 8,400 beds) in under a month. Multiple drugs are being trialled for effectiveness. Successful candidates will be combined into powerful drug cocktails that save lives and relieve pressure on hospitals. Finally, there are almost 50 different vaccines under development with some already in human trials. COVID-19 is a daunting challenge right now but in a year's time it may seem a far more manageable disease.

On the economic front, the early indicators are frightful and we expect worse to come. The economic damage is being done by the lockdowns, rather than the virus itself. The lockdowns will leave many businesses and households temporarily unable to meet their financial obligations. While the lockdowns are a temporary measure, the damage they cause can be long-lived if businesses and households are allowed to go bankrupt en masse. Recognising this risk, governments have stepped in quickly and forcefully.

Businesses organise the resources of the economy and it is critical that this organisational structure remains in place to facilitate recovery. With their incomes curtailed, businesses are temporarily unable to pay for their labour, land and capital. To prevent wholesale bankruptcies and sackings, governments are providing businesses with massive bridging finance until activity recovers. They are also facilitating the deferral of rent and loan payments and providing subsidies for wages to reduce job losses. Similar measures are being introduced for households. The various fiscal measures pledged by the G20 amount to US$5 trillion to date; for context, this is equivalent to the annual economic output of Japan, the world's third largest economy.

China's experience also warrants cautious optimism. China loosened its restrictions on movement and social contact in late-February. The rate of new infections there remains low, suggesting intensive monitoring and strict quarantine procedures can keep the disease contained without severely restricting social contact. Chinese economic activity has steadily recovered during March. The recovery has been uneven and remains incomplete, but it has been smoother than expected considering that Europe and the United States were sliding into recession during this period.

In the near term, we are mindful of one risk in particular: a second widespread outbreak in China. This would not only short-circuit the recovery in the world's second-largest economy but would suggest waves of lockdowns may be needed over the next year or two. Given the economic damage wrought by the first round of lockdowns, the prospect of three or four of them is deeply unsettling. Indeed, many societies will not be willing or able to afford them.

Longer-term, we anticipate the socialisation of risk today will have longer-term consequences for private business and capital. We expect less separation between private enterprise and public policy in future with demands for national or social service becoming more frequent and harder to resist. Social tensions may also become further inflamed with the rise of nationalism and populism in Europe after the global financial crisis perhaps a foretaste of what may come.

Net Currency Exposures

CURRENCY	31 MAR 2020	31 DEC 2019	31 MAR 2019
Euro (EUR)	48%	45%	41%
Australian dollar (AUD)	19%	0%	0%
British pound (GBP)	14%	16%	12%
US dollar (USD)	11%	14%	3%
Swiss franc (CHF)	4%	6%	15%
Romanian leu (RON)	4%	4%	2%
Danish krone (DKK)	2%	1%	2%
Polish zloty (PLN)	0%	2%	3%
Norwegian krone (NOK)	-2%	13%	13%
Czech koruna (CZK)	0%	0%	8%
Hungarian forint (HUF)	0%	0%	1%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Booking Holdings Inc	United States	Cons Discretionary	4.7%
BioNTech	Germany	Health Care	4.7%
Fondul GDR	Romania	Other	4.4%
Prosus NV	Netherlands	Cons Discretionary	4.4%
Hypoport AG	Germany	Financials	4.3%
Raiffeisen Bank	Austria	Financials	4.3%
Banca Transilvania	Romania	Financials	4.0%
Saras SpA	Italy	Energy	3.8%
Roche Holding AG	Switzerland	Health Care	3.8%
Golden Ocean Group	Norway	Industrials	3.4%

As at 31 March 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

1. Fund returns are calculated using the net asset value (NAV) unit price (which does not include the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns of the stated unit class over the specified period. Fund returns are net of fees and costs, are pre-tax, and assume the reinvestment of distributions. The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet.

   Platinum does not invest by reference to the weightings of the Index. The Fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the Fund's holdings may vary considerably to the make-up of the Index that is used as its reference benchmark. Index returns are provided as a reference only.

   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 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 this 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 net MSCI Index in Australian Dollars.
3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents, as a percentage of the market value of the Fund's positions, the Fund's effective exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices. "Shorts" relates to the effective exposures to short securities and short securities/index derivative positions.
4. The table shows, as a percentage of the Fund's net asset value, the Fund's exposures to the relevant sectors through direct securities holdings as well as both long and short derivatives of stocks and indices.
5. The table shows the effective net currency exposures of the Fund's portfolio as a percentage of the Fund's net asset value, taking into account the Fund's currency exposures through securities holdings, cash, forwards, and derivatives. 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 10 long equity positions as a percentage of the Fund's net asset value, taking into account direct securities holdings and long stock derivatives.

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