Platinum European Fund

Adrian Cotiga
Portfolio Manager

Nik Dvornak
Portfolio Manager

Performance

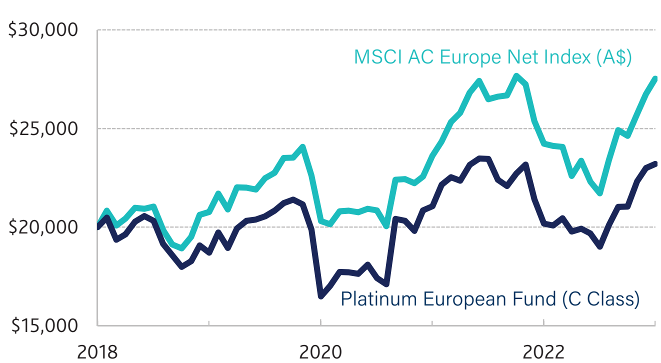
(compound p.a.+, to 31 March 2023)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	10%	15%	12%	3%	10%
MSCI AC Europe Index^	12%	14%	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

31 March 2018 to 31 March 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) finished the quarter on a strong note, rising 10.2% over the period.[1]

European markets continued to perform strongly, led by the Consumer Discretionary, Industrials and Information Technology sectors, as markets factored in slightly less negative business and consumer confidence. Financials, particularly European banks, had a very strong January and February but gave back some of their gains in March, following the bankruptcy of Silicon Valley Bank in the US and Credit Suisse's forced merger with UBS.

Credit Suisse (not held in any of the Platinum funds) has had many highly publicised missteps in the last couple of years, but accelerating deposit outflows and counterparties curtailing risk required the Swiss bank supervisor and the Swiss National Bank (SNB) to orchestrate the merger to stabilise the bank and restore trust in the broader banking system. The cost of maintaining financial stability was borne not only by equity holders in Credit Suisse, which lost almost 90% of its value, but also by bondholders and Swiss taxpayers.[2] While this is the first merger between two globally systemically important banks since the global financial crisis, thus carrying a significant execution risk, it will limit the spread of financial contagion.

On the other hand, the troubles of the US regional banks, such as Silicon Valley Bank and Signature Bank (see the Platinum International Fund report for further details), are more likely to have a significant impact on economic activity. Even before these events, there had already been a tightening in lending standards, both in the US and Europe. Smaller US banks could adopt even more conservative lending standards in order to preserve liquidity, and these smaller banks, with less than US$250 billion in assets, account for a significant part of US commercial and industrial lending, residential real estate lending, commercial real estate lending and consumer lending.

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 The Swiss Financial Market Supervisory Authority (FINMA) has determined that Credit Suisse's Additional Tier 1 Capital of ~CHF 16 billion will be written off to zero.

The main contributors to the Fund's quarterly return were **Booking Holdings** (+32%), **Wizz Air** (+56%), **ASML** (+24%) and **Bayer** (+21%). Online travel agency Booking Holdings delivered better-than-expected revenue growth on the back of strong prices paid for hotel rooms sold. The company provided a bright outlook for the rest of the year, as travel demand post-COVID remains healthy. Similarly, Wizz Air rallied on continuing strong travel demand. ASML gained on anticipation that semiconductor capital expenditure will recover next year. Bayer rose on hopes of an activist-driven breakup, as well as the appointment of a new CEO who was previously the CEO of Roche Pharma and is well-known to investors for being pragmatic.

Of the major positions, the weaker performers were global insurance player **Beazley** (-12%), which had a disappointing set of results, and **Barclays** (-8%), which was impacted by the turmoil in the banking sector.

Changes to the Portfolio

We took advantage of the strong market rally in January and February and trimmed a number of positions in travel (**Booking Holdings** and **Wizz Air**) and banks (**Raiffeisen Bank International**, **Bank of Ireland**, **Komerční banka**). We also exited a number of stocks that came close to our fair value estimates (**Prosus**, **Vidrala** and **Verallia**).

Disposition of Assets

REGION	31 MAR 2023	31 DEC 2022	31 MAR 2022
United Kingdom	27%	24%	25%
Germany	8%	7%	8%
Switzerland	8%	7%	8%
Romania	8%	8%	7%
France	7%	6%	9%
Netherlands	6%	5%	4%
Ireland	5%	5%	5%
United States of America	4%	5%	4%
Austria	3%	6%	3%
Spain	3%	3%	3%
Norway	2%	0%	1%
Australia	2%	2%	1%
Finland	2%	2%	2%
Czech Republic	1%	2%	2%
Italy	1%	2%	3%
Sweden	1%	1%	0%
Belgium	0%	1%	0%
China	0%	3%	3%
Cash	11%	11%	10%
Shorts	-26%	-25%	-16%

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

During the quarter, we started a new position in the venerable **London Stock Exchange Group** (LSEG), which traces its roots back to Jonathan's Coffee House in 1698, where John Castaing published a list of currency, stock and commodity prices. Over the last 300 years, the business has transformed itself many times, responding to numerous technological and social changes. Following its acquisition of Refinitiv in January 2021, a business twice its size, LSEG has become a £40 billion global financial market infrastructure and data group. Today, LSEG is in the middle of yet another significant transformation of its business as it integrates Refinitiv and transitions its technology to the cloud.

Following the Refinitiv acquisition, LSEG is predominantly a financial data business (representing ~50% of LSEG's revenue). This business has the broadest and deepest global data sets of any vendor (for example, Bloomberg has 35 million instruments with data aggregated from 330 exchanges, while Refinitiv has 80 million instruments from 500 exchanges).[3] The remaining business can be categorised into four buckets. It owns:

- The dominant foreign exchange trading venue (FXall)
- The leading fixed income electronic marketplace (Tradeweb)
- The largest global OTC interest rate derivative clearinghouse (LCH)[4]
- An index business entrenched in financial market infrastructure (similar to S&P Global and MSCI), which houses the FTSE and Russell equity indices, global bond indices and WM/Refinitiv benchmarks, for foreign exchange.

3 Source: Bloomberg and LSEG, respectively.
4 Source: https://www.lch.com/services/swapclear

Net Sector Exposures

SECTOR	31 MAR 2023	31 DEC 2022	31 MAR 2022
Financials	30%	32%	29%
Industrials	16%	13%	17%
Consumer Discretionary	9%	13%	15%
Health Care	7%	7%	6%
Communication Services	6%	6%	7%
Information Technology	6%	5%	0%
Energy	4%	2%	3%
Materials	4%	5%	2%
Real Estate	2%	2%	2%
Consumer Staples	2%	2%	1%
Other	-22%	-22%	-8%
TOTAL NET EXPOSURE	63%	64%	73%

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

Although not optically cheap, we believe LSEG is mispriced because the change in the business has introduced execution and growth uncertainty, as well as long-term optionality, which is difficult to quantify. The combined business has increased recurring revenue from ~40% prior to the acquisition to 70%.[5]

The financial services data industry is a US$30 billion market that has had a growth rate of 4-5% p.a. over the last 10 years.[6] This headline industry growth number masks an underlying shift in data consumption away from desktops/ terminals and towards distribution via alternative channels. LSEG is well positioned for this shift through enterprise data solutions, where it holds a dominant market share in real-time data and distribution and an increasing market share in price and reference data. LSEG has considerable competitive advantages, including higher-quality (i.e. cleansed) and more comprehensive data compared to its peers and better distribution technology. Large customers find it difficult to change data providers, as there are high switching costs due to deep integration with the customer's proprietary applications.

There are good reasons to be sceptical regarding LSEG's ability to successfully integrate the two businesses and achieve revenue and cost guidance: historical underinvestment in Refinitiv prior to the acquisition, the scale of the acquisition and LSEG's management's lack of track record in acquiring turnaround stories. So far, management seems focused on addressing the underlying issues: underinvestment, a weak terminal business and an ineffective sales force.

Furthermore, LSEG offers some optionality from the change in interest rate regime as well as from its partnership with Microsoft. Recently, LSEG and Microsoft entered into a partnership agreement, which resulted in Microsoft purchasing a ~4% equity stake and LSEG moving its data infrastructure to Microsoft's cloud environment.[7] Some of the products, such as the terminal business and data and analytics workflow solutions, will become interoperable with Microsoft applications. This could potentially provide LSEG with cross-selling opportunities to Microsoft's Teams user base.

LSEG's future growth is a combination of increasing demand for data, the creation of new data sets, particularly by integrating existing assets, as well as price increases. If LSEG is successful in transitioning to a data business and multi-asset class execution platform, it will likely grow revenues at a steady 5-7% p.a., which combined with margin expansion could deliver 8-10% earnings per share (EPS) growth. In such a scenario, the market is likely to re-rate the stock in line with other data providers.

5 Source: https://www.lseg.com/en/investor-relations/financial-results/2022-preliminary-results

6 Source: Estimated by Goldman Sachs Global Investment Research.

7 Source: https://www.lseg.com/en/media-centre/press-releases/2022/lseg-and-microsoft-launch-strategic-partnership

Outlook

The trajectory of inflation and interest rates remains highly uncertain. Although the European Central Bank (ECB) continued its tightening process, raising interest rates by an additional 1% to 3.5% during the quarter, Europe hasn't managed to tame inflation yet. It doesn't help that the Eurozone has a hot labour market, with unemployment at a record low of 6.6%.[8] Recently, Germany suffered a 24-hour strike called by two service sector unions demanding a pay rise of 10.5%. There is still a risk that inflation will become entrenched while creating more social unrest. On the other hand, there is a fair chance that a potential recession could cool both inflation and wage pressures much quicker than expected.

Our net invested position of 63% remains below the Fund's historical average, with 26% in shorts and 11% in cash. We continue to remain wary of further market weakness. A continued decline in Eurozone banks' willingness to make loans, coupled with a significant slowdown in the US, could result in a tricky environment to navigate. A tightening in credit conditions typically results in a recession. However, uncertain environments offer attractive opportunities, both on the long side and the short side.

8 Source: FactSet Research Systems.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Beazley PLC	UK	Financials	4.5%
Fondul Proprietatea SA	Romania	Financials	4.4%
Airbus SE	France	Industrials	4.3%
Informa PLC	UK	Comm Services	4.2%
Bayer AG	Germany	Health Care	3.9%
ASML Holding NV	Netherlands	InfoTechnology	3.8%
Ryanair Holdings PLC	Ireland	Industrials	3.7%
Banca Transilvania SA	Romania	Financials	3.4%
St. James's Place PLC	UK	Financials	3.2%
Booking Holdings Inc	US	Cons Discretionary	3.2%

As at 31 March 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

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