Platinum European Fund

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Portfolio Manager

Performance

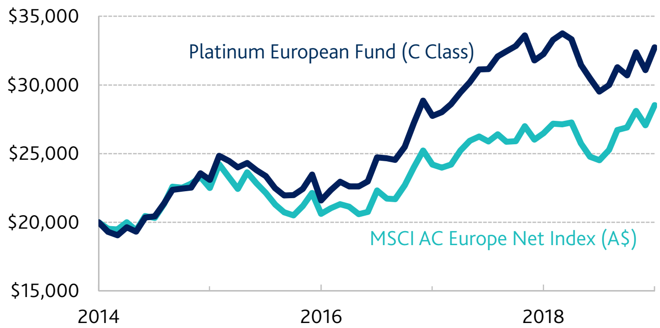
(compound p.a.+, to 30 June 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	7%	2%	15%	10%	12%
MSCI AC Europe Index^	6%	8%	11%	7%	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. Numbers have been subject to rounding adjustments.

Value of $20,000 Invested Over Five Years

30 June 2014 to 30 June 2019



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 Platinum European Fund (C Class) returned 6.6% over the quarter.

Evidence of softer global economic growth and resurgent trade tensions between the US and China unsettled markets during the quarter. Deteriorating sentiment was somewhat offset by prospects of further monetary policy stimulus by the US Federal Reserve and the European Central Bank. Equity markets rallied as the quarter drew to a close, as expectations mounted of a trade 'truce' being agreed when US President Donald Trump and Chinese President Xi Jinping met at the G20 summit in Osaka, Japan.

The backdrop of lacklustre growth and lower interest rates spurred further crowding in the so-called 'bond proxies' or defensive growth stocks. On the other hand, cyclical businesses remain deeply out-of-favour and recent political and economic turbulence will do little to rectify this. Our low exposure to defensive growth stocks and our high exposure to cyclical businesses has been the primary impediment to our year-to-date performance. For a detailed explanation of why we have chosen to position our portfolio this way, we would encourage investors to read our March 2019 Quarterly Report[1].

Our best performing positions tended to be businesses where our investment case is playing out. German mortgage platform, **Hypoport**, continues to take market share as its platform disintermediates the wholesale banking model and gives Germany's highly fragmented, localised, lenders direct access to a national market. Russian electronic payments network, **Qiwi**, is growing rapidly thanks to the rise of the sharing economy in Russia and market share gains in processing sports betting payments.

Our worst performing positions tended to be cyclical businesses with evidence of weaker end-user demand. Falling copper, cobalt and thermal coal prices have pressured the stock of global miner, **Glencore**. Falling prices for gasoline and diesel have similarly weighed on Sardinian oil refiner, **Saras**.

1 https://www.platinum.com.au/PlatinumSite/media/Reports/ptqtr_0319.pdf

Changes to the Portfolio

We sold our holding in German industrial conglomerate, **Siemens** during the quarter. The more mature parts of the business will likely come under pressure as unease over trade tensions causes businesses to defer or scale back investment intentions. With the stock having been resilient and the sector de-rating, we believe there are better opportunities elsewhere.

We also sold our holding in **Scout24** (German online real estate and auto marketplace) and **Takeaway.com** (Netherlands-based food delivery website). Both stocks have performed well since we bought them but with the investment thesis having partly played out and the market's valuation having become more ambitious, we have decided to move on.

We significantly increased our position in **TGS Nopec**. The company acquires and analyses seismic data to help oil and gas companies find new resources. The industry sharply curtailed exploration spending when oil prices fell in 2014 and 2015. The stock trades on 15x earnings and we believe earnings can grow significantly as exploration spending starts to recover.

We also added to our position in **Booking Holdings**, the world's largest online travel agent. Travellers use its best-known app, Priceline, to research, compare and book accommodation, flights, cars and other travel-related services. Travel remains a fast-growing industry with a proliferation of accommodation options: hotels, vacation rentals, private apartments or homes, hosted stays, boutique hotels, etc. Travellers need more help navigating these options than ever before, while suppliers are becoming increasingly fragmented and dependent on intermediaries. Successfully connecting the two should remain a vital service and we believe a lucrative endeavour. Booking Holdings is growing 10% p.a. and trades at 16x ex-cash earnings.

Outlook

While the market narrative on Europe is resoundingly negative, the reality is considerably more upbeat. Despite current account surpluses being present throughout the region, we see little written about the restored competitiveness of European labour and capital in global markets. Labour force participation, which has powered to an unprecedented high of 73% over the last decade, receives little airplay. Similarly, government finances have improved considerably with the aggregate Eurozone fiscal deficit now a mere 0.5% of GDP, yet this too garners little attention.

Disposition of Assets

REGION	30 JUN 2019	31 MAR 2019	30 JUN 2018
Germany	14%	19%	21%
Norway	11%	9%	8%
Switzerland	10%	11%	10%
UK	9%	10%	14%
Spain	7%	8%	6%
Austria	7%	7%	7%
US*	7%	5%	2%
Romania	6%	5%	2%
France	5%	6%	1%
Poland	3%	3%	0%
Ireland	3%	3%	2%
Italy	2%	2%	3%
Russia	2%	2%	3%
Denmark	2%	2%	2%
Hungary	1%	1%	2%
Netherlands	0%	1%	0%
Cash	9%	7%	16%
Shorts	-20%	-8%	-1%

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

Net Sector Exposures ^

SECTOR	30 JUN 2019	31 MAR 2019	30 JUN 2018
Industrials	21%	23%	20%
Financials	18%	17%	19%
Health Care	14%	11%	10%
Energy	9%	8%	8%
Consumer Discretionary	8%	9%	7%
Materials	5%	5%	6%
Information Technology	5%	4%	5%
Communication Services	3%	7%	8%
Real Estate	1%	1%	1%
Consumer Staples	-2%	-2%	-1%
Other	-11%	3%	0%
TOTAL NET EXPOSURE	71%	85%	83%

^ A major GICS reclassification was implemented during the December 2018 quarter. The changes affected the Information Technology, Communication Services (previously Telecommunication Services) and Consumer Discretionary sectors. Historical exposures have been updated for continuity.
See note 4, page 4. Numbers have been subject to rounding adjustments.
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.

Net Currency Exposures

CURRENCY	30 JUN 2019	31 MAR 2019	30 JUN 2018
Euro (EUR)	34%	41%	34%
Swiss franc (CHF)	21%	15%	6%
Norwegian krone (NOK)	15%	13%	13%
British pound (GBP)	11%	12%	14%
US dollar (USD)	5%	3%	6%
Australian dollar (AUD)	4%	<1%	2%
Polish złoty (PLN)	3%	3%	0%
Romanian leu (RON)	3%	3%	7%
Danish krone (DKK)	2%	2%	2%
Hungarian forint (HUF)	1%	1%	3%
Czech koruna (CZK)	0%	8%	11%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank	Austria	Financials	4.0%
Booking Holdings Inc	US	Cons Discretionary	3.6%
Roche Holding AG	Switzerland	Health Care	3.4%
IHS Markit Ltd	US	Industrials	3.4%
Applus Services	Spain	Industrials	3.3%
Glencore plc	Switzerland	Materials	3.2%
Reed Elsevier PLC	UK	Industrials	3.2%
TechnipFMC Ltd	UK	Energy	3.1%
Banca Transilvania	Romania	Financials	3.1%
Golden Ocean Group	Norway	Industrials	3.0%

As at 30 June 2019. See note 6, page 4.
Source: Platinum Investment Management Limited.

While the European economy has slowed over the last few quarters, the weakness is largely confined to exports and manufacturing. This reflects a slowing in global trade and weaker economic growth in China. Domestic-facing sectors of the economy remain in good shape, unemployment has consistently fallen since mid-2013 and wages are growing at 2.5% p.a. and accelerating.

Politics remains a concern. Populist politicians and causes have gained support in recent years. Yet, public support for the European Union (EU) and euro is rising. The latest Eurobarometer survey found that 68% of respondents believe EU membership is beneficial to their country; the highest since 1983. A related survey found that 64% of respondents also believe the euro is good for their country; a record high.

We believe the main risks to Europe lie outside the region. Of particular concern is that the United States is now using tariffs in a wide variety of disputes; the border security dispute with Mexico being a case in point. Businesses making investment decisions will find this new 'gloves-off' environment torturous with the likely outcome being that they defer or scale down investments. This will impede global economic growth. Moreover, simmering trade tensions between the United States and Europe are likely to boil over at some point.

Our portfolio continues to be skewed to cyclical businesses. These businesses are particularly sensitive to the above risks. They may continue to underperform in an environment of high uncertainty, weak growth and low interest rates. However, the valuations of these stocks is now so low that even with a significant deterioration in commercial circumstances, we expect to still make a respectable return on our investment. Evidence that global economic growth is more resilient than expected, or a concerted effort by Chinese authorities to stimulate their economy, could be positive catalysts. In these circumstances, we would expect our holdings to perform well.

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. Returns for P Class are net of any accrued investment performance fee.

   The MSCI Index returns are in Australian Dollars and are inclusive of net official dividends, but do not reflect fees or expenses. For the purpose of calculating the "since inception" returns of the MSCI Index, the inception date of C Class of the Fund is used. Where applicable, the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then. Fund returns are provided by Platinum Investment Management Limited; MSCI index returns are sourced from FactSet.

   Platinum does not invest by reference to the weightings of the Index. A 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.

   The stated portfolio values of C Class and P Class of the Platinum International Fund (PIF) do not include funds invested in PIF by the Platinum International Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PIF. The stated portfolio values of C Class and P Class of the Platinum Asia Fund (PAF) do not include funds invested in PAF by the Platinum Asia Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PAF.
2. The investment returns depicted in this graph are cumulative on A$20,000 invested in C Class (standard fee option) of the specified 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 Fund's net asset value, the Fund's exposures to the relevant countries/regions through direct securities holdings and long derivatives of stocks and indices.
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. In the case of the Platinum Unhedged Fund, the Fund does not undertake any short-selling. Its net exposures are therefore the same as its long exposures.
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. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

Disclaimers

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