Platinum European Fund

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Performance

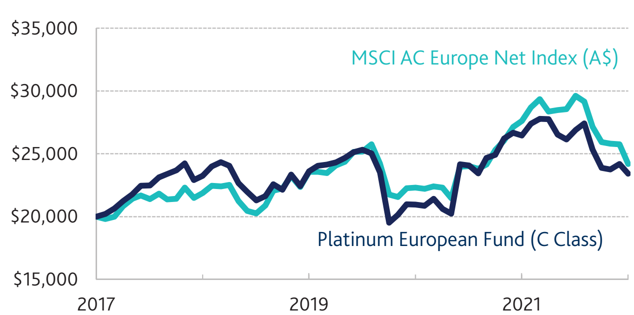
(compound p.a.+, to 30 June 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	-2%	-11%	0%	3%	10%
MSCI AC Europe Index^	-7%	-12%	1%	4%	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 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 2017 to 30 June 2022



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 -1.9% for the quarter and -11.5% for the year.[1]

The economic situation in Europe is deteriorating. Most worryingly, consumer price inflation accelerated to 8.1% per annum in May. This compares to a rate of under 2% a year ago.[2]

A silver lining is that underlying or 'core' inflation (excluding food, energy, alcohol and tobacco) is lower in Europe (3.8%) than in the United States (6.0%). The implication is that this affords the European Central Bank the ability to tighten monetary conditions with less urgency and aggression than the US Federal Reserve. This will see less pressure applied to asset owners and large borrowers, namely governments.

However, one key reason that core inflation is lower in Europe is that wage growth is running at a comparatively pedestrian 2.7% per annum. While this may spare the region from more aggressive rate hikes, it puts ordinary households under significant stress as their purchasing power erodes. Indeed, real household incomes are currently falling 5.4% per annum. Unsurprisingly, consumer sentiment has plummeted to levels only previously observed during times of crisis.

For now, the unemployment rate remains low, by European standards, at 6.8%. This should be supported in the near term by business sentiment, which remains comparatively buoyant despite having pulled back from recent highs. However, these data are backward-looking. It is unrealistic to expect this situation to persist with a strained household sector, the war in Ukraine, ongoing supply-chain disruptions, rolling lockdowns in China, rising interest rates and potential energy shortages.

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/

Against this backdrop, the relatively resilient performance of European equity markets - at least up until early June - has been remarkable. We took the decision in late March to position the portfolio much more defensively. Our net invested position was reduced from 73% to as low as 50% during the quarter, achieved through a combination of individual stock shorts, index shorts and holding cash. This defensive positioning made a strong positive contribution to our performance.

The best-performing sectors in Europe over the last three months were Energy, Consumer Staples, Utilities and Pharmaceuticals. The Fund has very little exposure to these sectors, which significantly hurt our relative performance.

Within the Fund, our best-performing stock was Sardinian oil refiner **Saras** (+99%). Saras is benefiting from skyrocketing refining margins. The elevated margins reflect an underlying erosion of supply conditions, including economic sanctions on Russia, lower refining activity in China, refinery closures in many markets, and extended supply chains as traders struggle to redirect products with limited shipping capacity. Saras' position as a coastal refinery in the middle of the Mediterranean with the ability to process a broad array of crudes bestows it with considerable flexibility over both inputs and outputs. This leaves it well-placed to benefit under such conditions.

Disposition of Assets

REGION	30 JUN 2022	31 MAR 2022	30 JUN 2021
United Kingdom	22%	25%	18%
Romania	8%	7%	8%
Switzerland	8%	8%	6%
France	7%	9%	10%
Germany	7%	8%	13%
Ireland	6%	6%	5%
Italy	4%	3%	3%
Austria	4%	3%	4%
Netherlands	4%	4%	2%
United States	3%	4%	3%
Spain	3%	3%	9%
China	2%	3%	3%
Finland	2%	2%	3%
Czech Republic	2%	2%	1%
Norway	1%	1%	3%
Belgium	1%	0%	0%
Sweden	1%	0%	0%
Hungary	0%	0%	1%
Cash	16%	10%	8%
Shorts	-26%	-16%	-1%

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

The main detractors from the Fund's performance were **Wizz Air** (-39%) and **Allfunds** (-30%).

Wizz Air is a leading low-cost airline in Central and Eastern Europe. Recent share price weakness reflects investor concerns over rising fuel prices as well as questions around the sustainability of strong demand beyond the current summer travel season. The airline industry regularly faces such challenges, and low-cost carriers tend to benefit from them in the long term.

Allfunds is a financial network that connects the wealth management industry with asset managers, allowing access to global investment products with seamless back-end processing. This is a highly attractive business with many merits, but its revenue depends on assets under administration. This is particularly attractive when stock and bond prices are rising but can put significant pressure on revenue when stock and bond prices are falling simultaneously, as they have been this year. We expect such pressure to be transitory and are adding to our position.

Changes to the Portfolio

Most of our activity during the quarter was concentrated on the short side.

We either closed or significantly reduced our short positions in various 'quality compounder' companies. This group of shorts now accounts for just 3.5% of our capital. Among the shorts we closed were **Straumann**, a Swiss manufacturer of dentistry equipment and implants, and **Rational**, a German manufacturer of steamers and ovens for restaurants and the catering industry. Among the shorts we reduced were **Hermès**, the French luxury design house known for its iconic

Net Sector Exposures

SECTOR	30 JUN 2022	31 MAR 2022	30 JUN 2021
Financials	29%	29%	31%
Industrials	15%	17%	17%
Consumer Discretionary	10%	15%	11%
Health Care	7%	6%	7%
Communication Services	6%	7%	9%
Energy	4%	3%	3%
Materials	3%	2%	5%
Real Estate	2%	2%	2%
Consumer Staples	2%	1%	1%
Information Technology	1%	0%	4%
Other	-22%	-8%	0%
TOTAL NET EXPOSURE	58%	73%	90%

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

leather goods, and **Halma**, a British industrial group that is highly respected for its shrewd and insightful approach to capital allocation. All these stocks have fallen over 30% since we initiated our short position. All are enterprises we admire and would love to own at the right price. However, even after these price falls, their price-to-earnings ratios range from 30 to 45 times. We are still a long way from the price being 'right'.

We initiated a number of new shorts in businesses that are more cyclical in nature and have benefited from Covid-induced disruptions. This group of shorts now accounts for around 2% of the Fund's capital. The type of company we are shorting will have experienced a surge in demand for their products during lockdowns or periods of working from home while supply was limited by supply-chain complications. Typically, their products are durables, meaning that having bought them once, you won't buy them again for many years. While these businesses often trade on humble valuations, their earnings are supercharged by strong volumes and high margins, neither of which will be replicable. We continue to look for stocks to add to this basket of shorts.

Finally, since the start of the quarter, we also introduced a number of significant index shorts. These reflect our concerns that stock markets appear to be overly complacent about the deteriorating fundamental outlook. These index shorts now account for around 20% of the Fund's capital.

On the long side, we trimmed a number of our better-performing positions while adding toehold positions in a handful of new stocks. However, we continue to struggle to find businesses that are both attractively valued and significantly different from what we already own.

Outlook

The Russian invasion of Ukraine is probably the most significant geopolitical event on the European continent since the fall of the Berlin Wall in 1989. Europe was one of the biggest beneficiaries of the post-1945 'Pax Americana' and the globalisation wave that accompanied it. It also benefited tremendously from the post-Cold War Peace Dividend. The region had evolved to thrive in this post-Cold War world and for many years treated considerations of national security, resource security and national interest with disdain.

While the geopolitical environment has been changing subtly for some years, the Russian invasion of Ukraine has hammered this fact home in a way that is impossible for European leaders to ignore. The region has finally awoken to a reality where it finds itself wrong-footed and urgently needing to adapt to a rapidly corroding environment.

With these challenges will come many opportunities. Obvious areas of underinvestment include defence, energy security and transition, self-sufficiency in key technologies and supply-chain resilience.

While all the focus is currently on Ukraine, there are many longer-running challenges that the region has to contend with, particularly rising inequality and an aging population. The former remains an open wound, while the latter will be difficult to address given the growing aversion to inbound migration. Another strong showing by Marine Le Pen and the National Front in the recent French presidential and parliamentary elections underscores these challenges.

Then there is the relationship with China. Here things are about to get complicated, as it will no longer be possible to compartmentalise interactions as purely commercial and ignore the strategic, security and moral dilemmas they entail.

All these challenges create pressure for change. That change will bring many investment opportunities in the medium term. However, these pressures will also create a higher-risk investing environment, which we feel the market is not adequately pricing in.

We ended the quarter 58% net invested. Our cash holding amounts to 16% of the Fund's capital, while short positions amount to 26% of capital.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Fondul Proprietatea SA	Romania	Financials	4.2%
Beazley PLC	UK	Financials	4.1%
Saras SpA	Italy	Energy	4.1%
Informa PLC	UK	Comm Services	3.8%
Banca Transilvania SA	Romania	Financials	3.7%
Bayer AG	Germany	Health Care	3.6%
Booking Holdings Inc	US	Cons Discretionary	3.1%
Airbus SE	France	Industrials	3.1%
Bank of Ireland Group PLC	Ireland	Financials	2.8%
Barclays PLC	UK	Financials	2.6%

As at 30 June 2022. 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. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "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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