Platinum European Fund

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Portfolio Manager

Performance

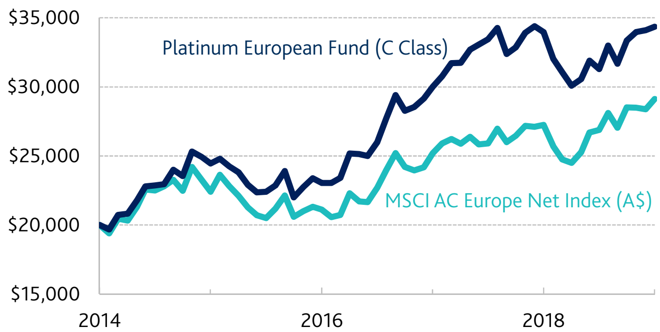
(compound p.a.+, to 30 September 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	3%	1%	14%	11%	12%
MSCI AC Europe Index^	2%	7%	11%	8%	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

30 September 2014 to 30 September 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 3% over the quarter.

The European economy appears healthy. Unemployment is falling, wages are rising significantly faster than inflation and private sector credit continues to recover. However, investors and policy makers are concerned that weakness in the manufacturing sector will spread to the services sector.

During the quarter, bond yields fell significantly in anticipation of further monetary stimulus. This came in September, with the European Central Bank (ECB) announcing further cuts to interest rates and a new bond-buying scheme.

Slower growth and falling interest rates motivate investors to pay ever-higher prices for defensive stocks and growth stocks, while avoiding cyclical stocks. Utilities, consumer staples and healthcare were, therefore, the best-performing sectors during the quarter, while energy and materials were the worst-performing sectors.

Despite the unfavourable backdrop, most of our holdings appreciated during the quarter. Some of our better-performing positions included:

- **Pandora** (Danish jewellery manufacturer and retailer, +18% over the quarter in local currency terms) which reported sales results that were better than feared and provided a positive update on the new management team's progress in reinvigorating the brand.
- **Qiwi** (Russsian electronics payment network, +12%) which continued to report strong results in its core payments business and is making marked progress in getting its loss-making new ventures to break even.
- **Infineon Technologies** (German semiconductor, +6%) which rebounded amid an improved outlook for new power semiconductor orders from the troubled automotive and consumer electronics end-markets.

Bank of Ireland (-21%) was our worst-performing position. Investors fled European banks, fearing that falling interest rates will compress margins further, while Brexit concerns dialled up a notch following the ascent of Boris Johnson and the 'Brexiteer' faction within the governing Conservative Party.

Changes to the Portfolio

During the quarter, we significantly increased our position in Bank of Ireland.

We believe the economic backdrop for this business is favourable with the Irish economy having many merits. The country is a gateway to the European market. The workforce is well educated and highly competitive. Government policy and the regulatory environment are conducive to enterprise and foreign investment. Gross domestic product is growing over 5% p.a., incomes are rising and unemployment is falling. Housing supply is struggling to keep pace with demand. After many years of credit contraction, loan growth is now finally returning to Ireland.

Investors have two main concerns with this stock. Firstly, they fear that falling interest rates will compress profit margins regardless of the economic backdrop. Secondly, they worry that Europe may sink into recession and drag Ireland with it.

A bank's vulnerability to negative interest rates is heavily influenced by how competitive the market is. Ireland is a four-bank market, dominated by two large banks. All four banks are owned by listed entities; mutuals, credit unions and cooperatives do not play a significant role in the Irish market. Consequently, pricing is rational and Bank of Ireland's lending margins are comparable to those of the best Australian banks, half a decade of negative interest rates notwithstanding.

As for recession risk, it's worth remembering that during 2007-2014, Irish gross national product[1] fell as much as 10%, unemployment quadrupled to 16% and house prices halved. Consequently, many borrowers defaulted on their loans. The flip side to this however, is that the only borrowers left are those who did not default, making them as solid as they come. New borrowers face far more stringent underwriting criteria today. Despite carrying a fraction of the risk, the bank holds considerably more capital than it did in 2007.

Trading on 6x earnings and 0.4x book value, we believe Bank of Ireland offers exceptional value.

Outlook

The contraction in manufacturing is depressing consumer and business confidence. While the services sector remains resilient for now, the risk of contagion looms large. Bond yields are currently very low and most investors now expect them to remain at these levels indefinitely. Meaningful increases in interest rates seem just as unimaginable today as they seemed inevitable a year or two ago.

1 Includes net income from abroad.

Disposition of Assets

REGION	30 SEP 2019	30 JUN 2019	30 SEP 2018
Germany	16%	15%	21%
Norway	13%	11%	10%
Switzerland	11%	10%	11%
United States*	9%	7%	3%
Romania	8%	6%	2%
Spain	7%	7%	7%
Austria	7%	7%	8%
United Kingdom	7%	9%	12%
Ireland	5%	3%	2%
France	4%	5%	3%
Italy	3%	2%	3%
Poland	3%	3%	0%
Denmark	2%	2%	2%
Russia	2%	2%	3%
Netherlands	1%	0%	0%
Hungary	0%	1%	2%
Cash	4%	10%	13%
Shorts	-16%	-20%	-1%

* 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.

Net Sector Exposures ^

SECTOR	30 SEP 2019	30 JUN 2019	30 SEP 2018
Industrials	23%	21%	22%
Financials	19%	18%	19%
Health Care	14%	14%	10%
Consumer Discretionary	12%	8%	9%
Energy	8%	9%	8%
Materials	5%	5%	7%
Information Technology	5%	5%	4%
Communication Services	4%	3%	7%
Real Estate	1%	1%	1%
Consumer Staples	-3%	-2%	-1%
Other*	-8%	-11%	0%
TOTAL NET EXPOSURE	81%	71%	86%

^ 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.
* Includes index shorts and other positions.
See note 4, page 4. Numerical figures have been subject to rounding.
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 SEP 2019	30 JUN 2019	30 SEP 2018
Euro (EUR)	36%	34%	37%
Swiss franc (CHF)	19%	21%	11%
Norwegian krone (NOK)	13%	15%	14%
British pound (GBP)	13%	11%	13%
US dollar (USD)	10%	5%	7%
Romanian leu (RON)	4%	3%	2%
Polish zloty (PLN)	3%	3%	0%
Danish krone (DKK)	2%	2%	2%
Australian dollar (AUD)	0%	4%	0%
Czech koruna (CZK)	0%	0%	11%
Hungarian forint (HUF)	0%	1%	2%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Raiffeisen Bank	Austria	Financials	4.9%
Booking Holdings	US	Cons Discretionary	4.7%
Roche Holding	Switzerland	Health Care	4.2%
Fondul GDR	Romania	Other	3.9%
IHS Markit	US	Industrials	3.8%
Applus Services	Spain	Industrials	3.7%
Golden Ocean Group	Norway	Industrials	3.7%
Banca Transilvania	Romania	Financials	3.7%
Schibsted ASA	Norway	Comm Services	3.7%
Glencore	Switzerland	Materials	3.5%

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

In this weak growth and low yield environment, businesses with defensive earnings or high growth prospects command very high valuations. Those with cyclical earnings are deeply out-of-favour.

This paradigm can change. Calls for fiscal stimulus are growing ever louder. The beneficiaries of fiscal stimulus may differ from those that benefited from monetary easing. Looking further afield, Chinese growth may pick up as the economic reform process begins to yield benefits or policy makers implement additional stimulus. Finally, manufacturing recessions typically do not last long and the current one is occurring against the backdrop of high rates of employment and income growth.

Meanwhile, we are finding many attractive opportunities among the cyclicals. Valuation is the ultimate leveller and on present estimates, we are optimistic about the risk-reward trade-off for our portfolio. The above paradigm does not need to change for our investments to perform well at ***current valuations***.

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.

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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.

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