Platinum European Fund

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Portfolio Manager

Performance

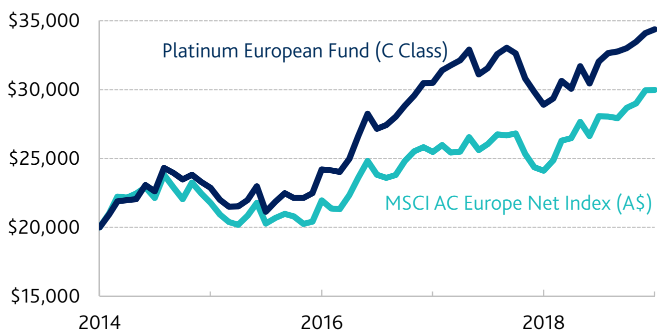
(compound p.a.⁺, to 31 December 2019)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	4%	19%	12%	11%	12%
MSCI AC Europe Index^	5%	24%	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

31 December 2014 to 31 December 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 Fund (C Class) returned 4.1% over the quarter and 18.9% for the year.

Three developments, in particular, influenced equity markets during this period.

1. Manufacturing Purchasing Managers' Indices (PMIs) in the United States and China rebounded, fuelling hopes that the year-long industrial recession in Europe may soon end.
2. The United States and China announced a partial trade deal. While the deal is too narrow in scope to address the underlying grievances, it likely heralds a ceasefire that will limit further disruption to business and trade, at least until the 2020 US presidential election is concluded.
3. The Conservative Party won a strong parliamentary majority in the United Kingdom general election. For financial markets, this eliminates the disturbing prospect of a Corbyn government while promising a resolution to the Brexit-related uncertainty that has disrupted business and financial decision making alike.

These developments signal improving economic prospects and reduced uncertainty, providing a favourable backdrop for equity markets. Stock prices responded accordingly. Our best-performing positions were businesses with significant operations in the UK. These included **Bank of Ireland** (+34% over the quarter in local currency terms), **Ryanair** (+39%) and **Foxtons** (+76%).

Investors fled these stocks when Boris Johnson replaced Theresa May as Prime Minister. Johnson's ascent seemed to promise more acrimony and less compromise in negotiations with the exasperated Europeans, while doing little to secure the necessary support from within his own party. As fears of a 'No Deal Brexit' escalated, subsequent signs of pragmatism on both sides were disregarded. Within months, Johnson had not only secured a revised deal from the Europeans but a resounding mandate to 'Get Brexit Done' from the electorate. Realisation has set in that while he may not deliver the outcome investors would ideally like, nor will he deliver the outcomes they most fear. Prevailing valuations largely reflected the latter.

Our holdings in healthcare companies also contributed significantly to the Fund's performance. Foremost amongst these were our German biotechnology companies, **MorphoSys** (+25%) and **BioNTech** (+138% since its listing on the Nasdaq Stock Market on 10 October 2019).

The most significant detractor from performance was our short position in the **STOXX Europe 600** index. This position serves to protect the portfolio in the event of a large negative shock to stock markets; however, it detracts from performance when markets appreciate.

Our worst-performing stock was French apparel retailer, **SMCP** (-26%). The company warned that profits would fall short of expectations due to the unrest in Hong Kong, which caused foot traffic at its stores there to fall by more than 40%. Hong Kong only accounts for 4% of global sales for SMCP, but the stores there, which were exceptionally profitable, are now loss making. We don't know how or when the current unrest in Hong Kong will abate, but we doubt it will continue in perpetuity.

The subsequent collapse of SMCP's stock price was aggravated by concerns that its majority shareholder would default on bonds due to be repaid in December 2019. The shareholder had pledged its SMCP shares as collateral, meaning their default could lead to a fire sale of SMCP shares by creditors. This would have depressed SMCP's share price in the short term. Such a sale would have however, had no impact on SMCP's underlying business. We used the panicked selling to significantly increase our holding. The shareholder in question has since repaid its bonds in full. The stock subsequently rebounded from its lows, recovering some of its losses over the quarter.

Our European oil refinery stocks were another source of poor performance. These companies are currently grappling with unfavourable market conditions, including weak global diesel demand, disruptions from changing marine fuel regulations and changes to the mix of crude production globally. We think these headwinds are transitory with the market for both crude and refined products being self-correcting. The refineries we own have considerable operational flexibility to adapt to market conditions and they remain comfortably profitable. Moreover, demand for their products is growing, refining capacity in Europe is shrinking and earnings have significant leverage to improved market conditions, while the shares trade on single digit price-to-earnings (P/E) multiples.

Changes to the Portfolio

We initiated a position in the German molecular diagnostics business, **Qiagen**, during the quarter. In October, the company announced weaker-than-expected sales,

Disposition of Assets

REGION	31 DEC 2019	30 SEP 2019	31 DEC 2018
Germany	20%	16%	19%
Norway	13%	13%	9%
Switzerland	12%	11%	11%
Romania	7%	8%	4%
United States*	7%	9%	3%
United Kingdom	7%	7%	9%
Ireland	6%	5%	2%
Spain	6%	7%	7%
Austria	6%	7%	8%
Italy	3%	3%	3%
Netherlands	3%	1%	0%
France	2%	4%	4%
Poland	2%	3%	3%
Russia	1%	2%	2%
Denmark	1%	2%	2%
Hungary	0%	0%	1%
Cash	2%	2%	13%
Shorts	-5%	-16%	-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.

Net Sector Exposures

SECTOR	31 DEC 2019	30 SEP 2019	31 DEC 2018
Financials	20%	19%	17%
Industrials	19%	23%	21%
Health Care	17%	14%	10%
Consumer Discretionary	13%	12%	7%
Energy	8%	8%	8%
Communication Services	5%	4%	7%
Materials	5%	5%	4%
Information Technology	3%	5%	4%
Real Estate	2%	1%	1%
Consumer Staples	-3%	-3%	-3%
Other*	4%	-8%	2%
TOTAL NET EXPOSURE	92%	81%	78%

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

Net Currency Exposures

CURRENCY	31 DEC 2019	30 SEP 2019	31 DEC 2018
Euro (EUR)	45%	36%	36%
British pound (GBP)	16%	13%	13%
US dollar (USD)	14%	10%	5%
Norwegian krone (NOK)	13%	13%	13%
Swiss franc (CHF)	6%	19%	11%
Romanian leu (RON)	4%	4%	2%
Polish zloty (PLN)	2%	3%	3%
Danish krone (DKK)	1%	2%	2%
Czech koruna (CZK)	0%	0%	13%
Hungarian forint (HUF)	0%	0%	3%

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%
Raiffeisen Bank	Austria	Financials	4.6%
Roche Holding AG	Switzerland	Health Care	4.4%
Bank of Ireland	Ireland	Financials	4.0%
Banca Transilvania	Romania	Financials	3.8%
Fondul GDR	Romania	Other	3.7%
Golden Ocean Group	Norway	Industrials	3.5%
Glencore plc	Switzerland	Materials	3.4%
MorphoSys AG	Germany	Health Care	3.4%
Schibsted ASA	Norway	Comm Services	3.3%

As at 31 December 2019. 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.

capitulation in its efforts to develop their next-generation genome sequencing machine and the departure of its long-standing CEO. The stock dropped sharply on this announcement.

Qiagen is the undisputed leader in developing reagents that isolate DNA or Messenger RNA (mRNA) from a sample. This is a pre-requisite step, without which the DNA cannot be read and analysed. However, the company has had mixed success growing beyond their core, as illustrated by their failed attempt to develop next-generation sequencing machines. That being said, the core remains extremely valuable.

We funded our purchase of Qiagen through the sale of our long-standing position in French pharmaceutical giant, **Sanofi**, following strong share price performance.

We also exited our position in Danish jeweller, **Pandora**. A crucial pillar to our investment thesis was that the company's products enjoyed strong demand from Chinese consumers. China was a large, mostly untapped market that could support the business while challenges in some other markets were addressed. Over the past year, Chinese demand has progressively weakened, both onshore and in tourist hotspots like Sydney, Australia. Pandora's management struggles to explain this change, leading us to conclude that they are unsure what is happening and why. With this crucial plank of our investment thesis in doubt, we believe it is prudent to withdraw our capital and reassess the situation, even though the valuation is highly attractive.

Outlook

The European equity market is enjoying a period of improved sentiment. Manufacturing remains in recession but leading indicators have stabilised while those of Europe's major trading partners are recovering. The recently announced US-China trade deal should also help limit the disruption to business and the flow of bad news for now. The prime beneficiaries of this improved sentiment have been export-focused cyclicals. As recovery takes hold, and as political support for fiscal stimulus grows, domestic cyclicals may follow.

Plenty of risks remain. We are particularly concerned about the distortions created by a decade of financial repression. In stock markets, this is mainly expressed through the high valuations assigned to so-called 'defensive growth' and 'bond proxy' stocks. Accelerating economic growth and potential fiscal stimulus makes this segment of the market a high-risk proposition indeed.

That being said, valuations remain attractive in many other sectors of the market. We have had no shortage of attractive investment ideas, as illustrated by our very low cash holding.

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 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. 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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