Platinum European Fund

Adrian Cotiga
Portfolio Manager

Nik Dvornak
Portfolio Manager

Performance

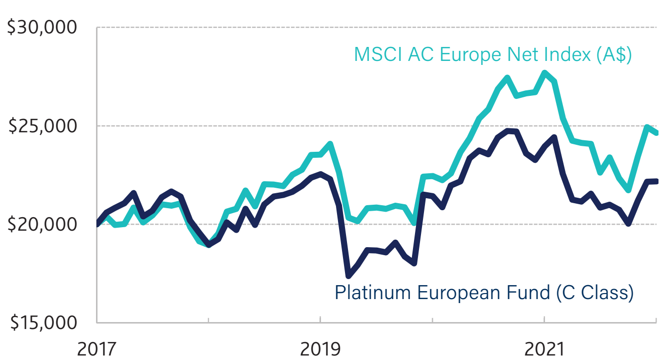
(compound p.a.+, to 31 December 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	11%	-7%	-1%	2%	10%
MSCI AC Europe Index^	13%	-11%	2%	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

31 December 2017 to 31 December 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 10.7% for the quarter.[1]

European markets staged a strong recovery over the quarter, with the Financials, Industrials, Consumer Discretionary and Healthcare sectors leading the way. Investors were more positive on Europe as fears of a deep recession driven by an energy crisis subsided, helped by a significant reduction in gas demand by 20%[2] and favourable weather (see the Platinum Global Fund (Long Only) report for more on the energy sector).

Inflation remains the most significant challenge for Europe, but so far, it seems manageable. At face value, Europe's headline inflation rate of 10.1% is much higher than the US's rate of 7.1%, largely due to higher energy costs.[3] While the European Central Bank (ECB) has been slower in increasing rates, it has recently picked up the pace, and the employment market, although tight, is not as "hot" as the US employment market.

During the quarter, the ECB increased the official interest rate by 1.25 percentage points to 2.5% and expects to raise it significantly further, with both headline and core inflation (excluding food and energy) tracking substantially higher than the 2% target. Post-COVID, pent-up demand for services and wage rises are fuelling underlying inflation. Inflation expectations seem to be well anchored, with median expectations over the next 12 months at 5.4%, while expectations for inflation three years ahead are unchanged at 3.0%.[4]

Unemployment continued to track lower, while consumer confidence bounced somewhat from the recent lows, however, it is still below levels reached during the global financial crisis (GFC).[5] Clearly, European labour markets are still strong, with labour shortages at new highs[6] but wage growth has not spiralled out of control. For example, the IG Metall union, which covers almost four million workers in Germany's industrial sector, will receive a pay raise of 5.2% in 2023 and 3.3% in 2024, in addition to €3,000 in tax-free

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 Source: Eurostat.

3 Source: FactSet Research Systems.

4 Source: ECB Consumer Survey Expectations.

5 Source: https://tradingeconomics.com/

6 Source: European Commission.

bonus payments, reflecting the one-off nature of some of the inflationary pressures. We find it interesting that Germany's largest labour union and employers agreed on two rounds of wage increases for industrial workers at levels well below inflation and within a construct that is less likely to introduce long-lasting rigidity in the labour market.

The strongest contributors to performance were our bank holdings, notably **Raiffeisen Bank International** (+26%), **Banca Transilvania** (+19%), **Bank of Ireland** (+35%) and **Erste** (+32%), which benefited from higher interest rates.

Our travel stocks **Airbus** (+25%), **Booking Holdings** (+23%), **Ryanair** (+28%) and **Wizz Air** (+20%) recovered the losses from the second half of the September quarter following better-than-expected operational performance.

Other strong performers included European glass packaging manufacturers **Vidrala** (+41%) and **Verallia** (+37%). Both of these stocks had been sold off on concerns of rising energy costs due to the high use of natural gas within glass-smelting furnaces. These concerns are likely overstated as these businesses are able to use alternative fuel sources for furnaces. Additionally, the industry has proven that it has the ability to pass through inflationary costs to customers, and stable demand growth is outpacing supply, helping the stocks to rise strongly over the quarter.

Our worst-performing stocks were **Allfunds** (-14%) and a number of smaller biotech holdings. Allfunds is an electronic network linking financial advisers with fund managers operating in an oligopolistic market structure. While we believe that the business will be significantly larger and more profitable in five years' time, in the short term, it has been impacted by volatile markets and the sell-down of significant stakes by two large shareholders. We took advantage of this opportunity and added materially to our position.

Changes to the Portfolio

During the quarter, we trimmed some of our better-performing stocks, while starting small positions in a number of stocks that had weakened significantly from short-term uncertainty, such as **Siemens Energy**.

At the end of September, we initiated a position in **Puma**, the third-largest sportswear brand in the world with about 2% market share.[7] Sportswear benefits from long-term structural growth trends, as well as from a favourable industry structure. Over the last decade, trends such as casualisation, athleisure, comfort, and health and wellness have been associated with the growth of the sportswear industry. Hybrid working arrangements since COVID have incrementally added to these trends. About 75% of sports brands' marketing spend relates to team and athlete endorsements. Few brands can effectively monetise these expensive sponsorships across a universal consumer base with a wide range of products. The largest brands dominate mindshare, generate superior returns on investment (ROI), and are able to pay more, thus crowding out insurgent brands, which have lower recognition, consideration, buying intent, and consumer loyalty.

7 Source: Euromonitor.

Disposition of Assets

REGION	31 DEC 2022	30 SEP 2022	31 DEC 2021
United Kingdom	24%	23%	26%
Romania	8%	8%	7%
Germany	7%	7%	9%
Switzerland	7%	7%	8%
France	6%	8%	7%
Austria	6%	5%	4%
Netherlands	5%	4%	4%
Ireland	5%	4%	5%
United States of America	5%	4%	4%
Spain	3%	3%	3%
China	3%	2%	4%
Finland	2%	2%	2%
Czech Republic	2%	2%	1%
Australia	2%	1%	0%
Italy	2%	2%	2%
Sweden	1%	1%	0%
Belgium	1%	1%	0%
Norway	0%	1%	2%
Cash	11%	13%	12%
Shorts	-25%	-25%	-8%

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

Net Sector Exposures

SECTOR	31 DEC 2022	30 SEP 2022	31 DEC 2021
Financials	32%	30%	31%
Industrials	13%	13%	17%
Consumer Discretionary	13%	13%	14%
Health Care	7%	8%	5%
Communication Services	6%	6%	6%
Information Technology	5%	5%	1%
Materials	5%	4%	3%
Real Estate	2%	2%	2%
Energy	2%	2%	2%
Consumer Staples	2%	2%	0%
Other	-22%	-22%	0%
TOTAL NET EXPOSURE	64%	62%	80%

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

Puma has positioned itself as “the fastest brand in the world” and is associated with Usain Bolt, who has been a key endorser of the brand since his teenage years. The brand has re-accentuated its performance heritage in football and aims to represent brave, confident, determined, and joyful values, with a hint of rebelliousness and cheekiness. These carry the brand well into youth fashion and are a bit different from Nike’s more serious positioning. Puma’s price positioning is somewhat lower than that of Nike and Adidas on similar products.

In 2013, Puma installed a new management team that instituted a turnaround plan, recognising the under-investment in its performance heritage, which aids consumer perceptions in terms of authenticity and credibility. Puma built consumer appeal by using celebrities as well as athletes in marketing campaigns. One of the key successes in Puma’s turnaround journey has been its partnerships with celebrity influencers, particularly women. This included Rihanna, Selena Gomez, and recently Dua Lipa. Puma’s product strategy prioritises a comprehensive offer for women and over-indexes to women relative to its competition.

Puma’s expansion into basketball is a good example of how it is building momentum and relevance. In 2018, Puma re-entered the Nike/Jordan-dominated US basketball segment, appointing Jay-Z in a creative director role, signing rookie players in the draft, and adding basketball product ranges. They now have a roster of about 20 stars, with LaMelo Ball being the most well-known and having a signature shoe. Puma’s objective is not only to participate in the sizable market for basketball footwear but also to create a halo effect for the brand and gain shelf space with retail partners.

It has taken years for the company to complete its product development and segmentation strategy. As a result, Puma’s financial results improved, and revenue grew faster than any of its competitors, doubling in the last six years, while its operating margin rose to 8%, closing the gap with Adidas.[8]

8 FactSet Research Systems.

After benefiting from COVID-boosted demand over the last 18 months, sportswear stocks have declined as investors contemplate a recession, with associated pressure on sales and margins, which are retreating from elevated levels. Furthermore, investors are concerned that the strong growth and outsized margin contribution that China has offered brands in the last decade may not continue due to weaker economic growth and increasing competition from local brands. This backdrop has seen Puma’s stock price fall ~50%. We are attracted by this work-in-progress brand that is well-positioned in the structurally appealing sportswear industry.

Outlook

The European market is down 10% over the last 12 months in local currency terms.[9] We believe that the market is still somewhat complacent about the deteriorating economic situation and the impact of higher interest rates and higher energy and labour costs on corporate profits.

The environment remains highly uncertain. Monetary conditions are no longer extremely loose. Higher interest rates are slowing down the European economies, and we are unlikely to see interest rate cuts anytime soon. Energy supply remains unresolved, even though Europe managed to get through the winter without any major rationing of gas.

The portfolio is 64% net invested, with 25% in shorts and 11% in cash. We are positioned defensively to protect our investors’ capital, and we continue to hold significant index shorts and a few individual stock short positions. We continue to buy stocks that we feel offer good value, and our pipeline of ideas is growing steadily.

9 MSCI All Country Europe Net Index, local currency.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Beazley PLC	UK	Financials	4.5%
Fondul Proprietatea SA	Romania	Financials	4.4%
Booking Holdings Inc	US	Consumer Disc	4.3%
Airbus SE	France	Industrials	4.0%
Informa PLC	UK	Comm Services	3.9%
Banca Transilvania SA	Romania	Financials	3.6%
Raiffeisen Bank Int'l	Austria	Financials	3.6%
Bayer AG	Germany	Health Care	3.4%
ASML Holding NV	Netherlands	Info Technology	3.2%
Ryanair Holdings PLC	Ireland	Industrials	3.2%

As at 31 December 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. 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

This publication has been prepared by Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935, trading as Platinum Asset Management (Platinum®). Platinum is the responsible entity and issuer of units in the Platinum European Fund (the "Fund"). This publication contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons') investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. You should read the entire Platinum Trust® Product Disclosure Statement (including any Supplement(s) thereto) ("PDS") and consider your particular investment objectives, financial situation and needs before making any investment decision to invest in (or divest from) the Fund. The Fund's target market determination is available at www.platinum.com.au/Investing-with-Us/New-Investors. You can obtain a copy of the current PDS from Platinum's website, www.platinum.com.au or by phoning 1300 726 700 (within Australia), 0800 700 726 (within New Zealand) or +61 2 9255 7500, or by emailing to invest@platinum.com.au. You should also obtain professional advice before making an investment decision.

Neither Platinum nor any company in the Platinum Group®, including any of their directors, officers or employees (collectively, "Platinum Persons"), guarantee the performance of the Fund, the repayment of capital, or the payment of income. The Platinum Group means Platinum Asset Management Limited ABN 13 050 064 287 and all of its subsidiaries and associated entities (including Platinum). To the extent permitted by law, no liability is accepted by any Platinum Person for any loss or damage as a result of any reliance on this information. This publication reflects Platinum's views and beliefs at the time of preparation, which are subject to change without notice. No representations or warranties are made by any Platinum Person as to their accuracy or reliability. This publication may contain forward-looking statements regarding Platinum's intent, beliefs or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. No Platinum Person undertakes any obligation to revise any such forward-looking statements to reflect events and circumstances after the date hereof.

MSCI Disclaimer

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).