Platinum European Fund

Adrian Cotiga
Portfolio Manager

Overview

- The Fund delivered a +13% return in the quarter, boosted by excellent results from European stocks like **Aixtron**, **ASML**, **BE Semiconductor** and **ASM International**. These are firms that are 'toolmakers' or suppliers to the AI capital spending boom.
- Our bank holdings also contributed strongly. **Société Générale**, **Eurobank** and **Barclays** all grew net interest income over the quarter, but their share-price gains are equally a reward for disciplined cost control and the return of capital to shareholders.
- European markets now look attractive on a number of measures. We are very positive about some medium-term themes including, but not limited to, European banks, specialist stocks serving the AI-supply cycle, defence stocks and growth in Central and Eastern Europe.

Performance

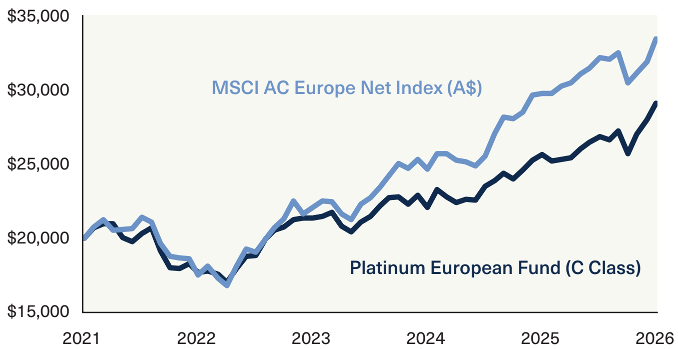
compound p.a.+, to 30 June 2026

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum European Fund*	13%	14%	11%	8%	11%
MSCI AC Europe Index^	10%	12%	15%	11%	5%

\+ 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 5. Numerical figures have been subject to rounding.

Value of $20,000 invested over five years

30 June 2021 to 30 June 2026



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 5.

The Platinum European Fund returned 13.3% for the quarter (C Class) in AUD terms, versus 9.7% for the MSCI All Country Europe Net Index. That's a decent quarterly return; however, the path mattered as much as the destination.

In our March Platinum Quarterly Report we described a quarter of two phases and warned of genuine stagflation risk if the Iran conflict escalated. From mid-June, the triple-digit oil price that had hung over markets gave way to de-escalation. Crude fell, risk appetite returned and European equities rallied back toward their highs.

The policy backdrop also shifted decisively. In June, the ECB lifted its deposit rate by 0.25% to 2.25% – its first hike since 2023 – as the energy shock pushed headline eurozone inflation to 3.2%. Markets now price in a 65% chance of a further move in September. Tellingly, growth forecasts were cut even as inflation rose: the ECB's baseline scenario puts 2026 GDP growth at just 0.8%.

Headline corporate earnings for STOXX 600 companies in the first quarter were up 10% year-on-year. However, that owed much to the windfall enjoyed by energy stocks, whose earnings are expected to grow by nearly 50%. Strip energy out and the rest of the market's earnings grew at 5.7%.[1]

With Euro stockmarkets trading near their most expensive level in over five years, much optimism is already in the price. That is precisely the environment in which discipline on valuation matters most.

Returns from banking and AI

Our standout contributors were the European winners in the AI capital-equipment cycle – **Aixtron**, **ASML**, **BE Semiconductor** and **ASM International**. We would caution against reading their strength as a smooth ascent: chip stocks sold off sharply in early June after Broadcom's results disappointed elevated expectations. This revived fears that the pace of AI infrastructure spending might slow and that valuations had outrun fundamentals. Those fears dissipated and prices recovered within days.

Our conviction rests not on momentum but on structure. AI investment must precede the earnings – or there's no AI there to earn anything. Data centres take years to build and demand for compute continues to outstrip supply. That demand is now broadening beyond the AI hyperscalers that dominate the headlines. Intel is investing to rebuild its foundry capacity and the memory makers are adding capacity to meet surging high-bandwidth demand. Each of these are a fresh source of orders for the tools our companies sell. They are also a useful cushion should any single driver slow.

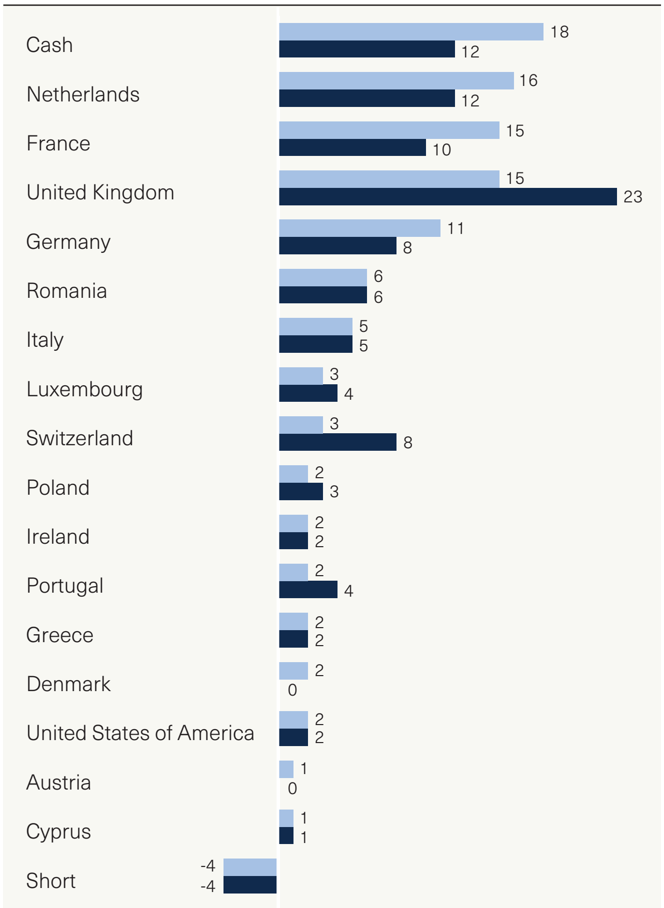
We are alert to the risk of tech overbuilding, but the multi-year direction is clear and we own the suppliers rather than the spenders.

Our conviction is not unconditional. Valuations in parts of the AI tech complex are now so stretched that any earnings disappointment could result in a sharp and rapid market reaction. We watch them closely, ready to trim or exit where the risk/reward equation no longer stacks up. Owning a structural theme does not mean owning it at any price.

As Middle East war fears eased, our bank holdings picked up and we saw good performance from holdings in **Société Générale**, **Barclays** and **Eurobank**.

1 https://www.reuters.com/business/european-corporates-head-best-earnings-growth-three-years-2026-05-07/.

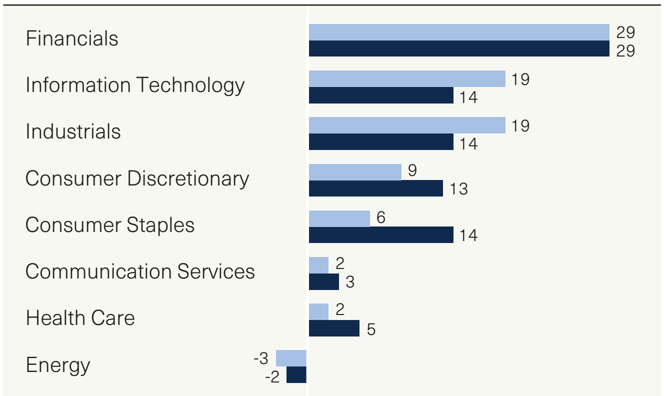
Disposition of Assets %



30 JUN 2026 31 MAR 2026

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



30 JUN 2026 31 MAR 2026

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
ASML Holding NV	Netherlands	Info Technology	7.3%
Banca Transilvania SA	Romania	Financials	5.6%
Societe Generale S.A.	France	Financials	5.1%
AIXTRON SE	Germany	Info Technology	4.7%
Siemens AG	Germany	Industrials	4.2%
Cie de Saint-Gobain	France	Industrials	4.2%
Lloyds Banking Group PLC	UK	Financials	4.0%
BE Semiconductor Industries	Netherlands	Info Technology	3.8%
Barclays PLC	UK	Financials	3.6%
BNP Paribas SA	France	Financials	3.6%

As at 30 June 2026. See note 5, page 5.
Source: Platinum Investment Management Limited.

Here, a higher-for-longer interest rate path is a tailwind, not a threat. It underpins higher net interest margins[2] and our names are compounding that advantage through cost discipline, capital returns and, in several cases, genuine turnarounds. This is the heart of our thesis: European banks are enjoying a multi-year return-on-equity recovery that the market still underappreciates.

Key themes and Central Europe

We did not short stocks aggressively this quarter. We expected markets to prove more resilient than the headlines suggested, and we did not believe the 2022 energy playbook applied. Europe entered this shock in a stronger position and the policy and corporate response was more measured. So far, that judgement has been rewarded.

Importantly, our results derived from the operational performance of the companies we own rather than from the macro shifts; through the volatility, our core holdings continued to deliver. We trimmed a handful of smaller positions that had not met our expectations and added to our highest-conviction ideas on share price weakness.

During the quarter we undertook two research trips – one focused primarily on technology and defence companies in Western Europe, the other on banks and macro across Central and Eastern Europe.

The Western European trip yielded several ideas across defence and technology – some now on our watchlist, others already in the portfolio. SUSS MicroTec is a good example. Founded in Munich in 1949, this German specialist in semiconductor process equipment has quietly become one of Europe's purest listed plays on AI-driven advanced packaging.

2 The difference between the interest a bank earns lending money versus paying depositors.

As chipmakers hit the limits of shrinking transistors, the next gains come from stacking silicon vertically – and SUSS sells the picks-and-shovels for exactly that: the temporary bonders, debonders and hybrid-bonding tools at the heart of 3D integration, now pulled directly into the supply chain for high-bandwidth memory and Nvidia's AI accelerators.

SUSS is a high-quality franchise that leads narrow, mission-critical niches rather than competing on scale. It also sits at the front of a fresh order cycle: first-quarter 2026 order intake hit a record, up roughly 70% year-on-year, even as revenue still lags.

We continue to manage the portfolio around seven core convictions:

- a re-rating of European banks
- the semiconductor capital-expenditure supercycle
- quality compounders
- consumer resilience
- infrastructure and re-industrialisation
- digital-economy enablers
- growth in Central and Eastern Europe.

Two of these themes are worth drawing out this quarter.

Profits east of the Danube

The **defence** component of our infrastructure and re-industrialisation theme gave back some ground after a powerful run earlier in the year. We see this as a pause, not a reversal – the structural case for European defence and hard-asset spending is, if anything, strengthening. Across defence, the energy transition, housing undersupply and logistics modernisation, four capex cycles are converging into one sustained, multi-year demand for hard assets. We are positioned to take advantage of that.

Central and Eastern European growth remains a differentiated source of return, and it was the focus of my second research trip. Poland looks like the most resilient economy in the region and is likely to be its fastest-growing in 2026, with interest rates appearing to settle into 2027. The government's appetite for large fiscal deficits is not a near-term concern but is a structural one as no party really has an incentive to address it. We are somewhat cautious on Polish banks due to litigation and regulation issues.

Romania is the economic laggard: a caretaker government with little room to act, near-zero growth and inflation peaking above 10% this quarter before an expected slide toward 4% next year. Our holding, **Banca Transilvania**, continues to execute well and should benefit from further consolidation of the Romanian banking market. One theme echoed in every Eastern European market we visited: British digital bank, Revolut is now the competitor that matters, compressing fees and margins across the region.

Hungary, post-election, is more optimistic, but it is not yet readily investable for us – we are watching rather than acting.

Outlook

Europe's reinvention is gathering pace and the structural case – fiscal expansion and a multi-year hard-asset capex cycle – remains intact. Yet we hold our optimism with humility. Valuations are full, headline earnings flatter the underlying picture and the risks are real: a renewed flare-up in the Middle East and another oil spike, an AI capital-expenditure cycle that disappoints, or an ECB that tightens too far.

Our task is unchanged – to own undervalued European businesses at sensible prices, to stay close to their operational performance and to let the market come to recognise their worth. In a quarter that swung on headlines, that discipline served our investors well. We believe Europe remains fertile ground for selective investors.

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 of the Fund 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. Where applicable, 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 Disposition of Assets and Revenue Exposure by Region charts (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. Unless otherwise noted, 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 graph includes cash at bank, cash payables and receivables and cash exposures through long derivative transactions.
4. The graph 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.