

Platinum Asset Management Limited

21 August 2019

Andrew Clifford, CEO & CIO

Andrew Stannard, CFO

Analyst Briefing



Business Highlights

June 2019

- ◆ Closing Jun-19 FuM of \$24.8B, down 4% on Jun-18 but up 3% on Dec-18 (after distribution of \$0.8B).
- ◆ Net outflows of \$246M led by PT Funds* and only partly offset by QMFs' net inflows of \$201M.
- ◆ Management fee revenue down 4%, roughly in line with fall in Average FuM.
- ◆ Expenses well controlled, with a 10% decrease in overall costs driven by a 17% decrease in staff costs (mostly variable remuneration).
- ◆ Profit and earnings per share down 17% on prior year, driven by lower performance fees and reduced gains on seed investments.
- ◆ Final dividend of 14 cps, taking full year to 27 cps, fully franked.
- ◆ The Board generally expects that most, if not all, future profits will continue to be distributed by way of dividends, subject to the ongoing capital requirements of the company.



Investment Performance

As at 30 June 2019

Performance of Platinum Trust Funds (June-19)		1 year	5 year	10 year	Since Inception	FuM (A\$b)
International Fund (PM's: AC, CS)	- Absolute Return	0.7%	9.5%	9.4%	12.3%	10.2
	- Relative Return	-10.6%	-3.1%	-2.3%	+5.3%	
Asia Fund (PM: JL)	- Absolute Return	0.4%	10.3%	9.5%	14.2%	4.6
	- Relative Return	-4.4%	-0.9%	+0.1%	+4.0%	
International Brands Fund (PM: JH)	- Absolute Return	-2.1%	10.5%	13.0%	12.3%	0.7
	- Relative Return	-13.4%	-2.1%	+1.2%	+8.9%	
Japan Fund (PM: SG)	- Absolute Return	3.1%	14.0%	12.2%	14.2%	0.8
	- Relative Return	+2.2%	+3.1%	+4.9%	+11.4%	
European Fund (PM: ND)	- Absolute Return	1.5%	10.4%	13.1%	11.6%	0.9
	- Relative Return	-6.3%	+3.0%	+4.8%	+8.4%	
Health Care Fund (PM: BO)	- Absolute Return	4.7%	14.1%	15.3%	9.7%	0.2
	- Relative Return	-10.7%	+0.4%	+0.7%	+0.5%	
Unhedged Fund (long only) (PM: CS)	- Absolute Return	-1.1%	10.7%	11.9%	11.0%	0.3
	- Relative Return	-12.4%	-1.9%	+0.2%	+3.5%	
Technology Fund (PM: AB, CR)	- Absolute Return	4.7%	10.8%	10.0%	9.3%	0.1
	- Relative Return	-11.0%	-11.7%	-7.7%	+7.7%	
					Subtotal (A\$b)	17.8
					% of Total FuM	72%

Portfolio Managers: AC = Andrew Clifford, CS=Clay Smolinski, JL= Joe Lai, JH=Jamie Halse, SG=Scott Gilchrist, ND= Nik Dvornak, BO = Bianca Ogden, AB = Alex Barbi, CR = Cameron Robertson

Source: Platinum. Fund returns are annualised, calculated using the relevant fund's C Class unit price. Returns are calculated net of fees and costs, pre-tax, and assume the reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Relative returns represent the returns of each relevant fund relative to its nominated benchmark as stated in the latest Platinum Trust Funds' PDS for C Class, P Class and E Class.

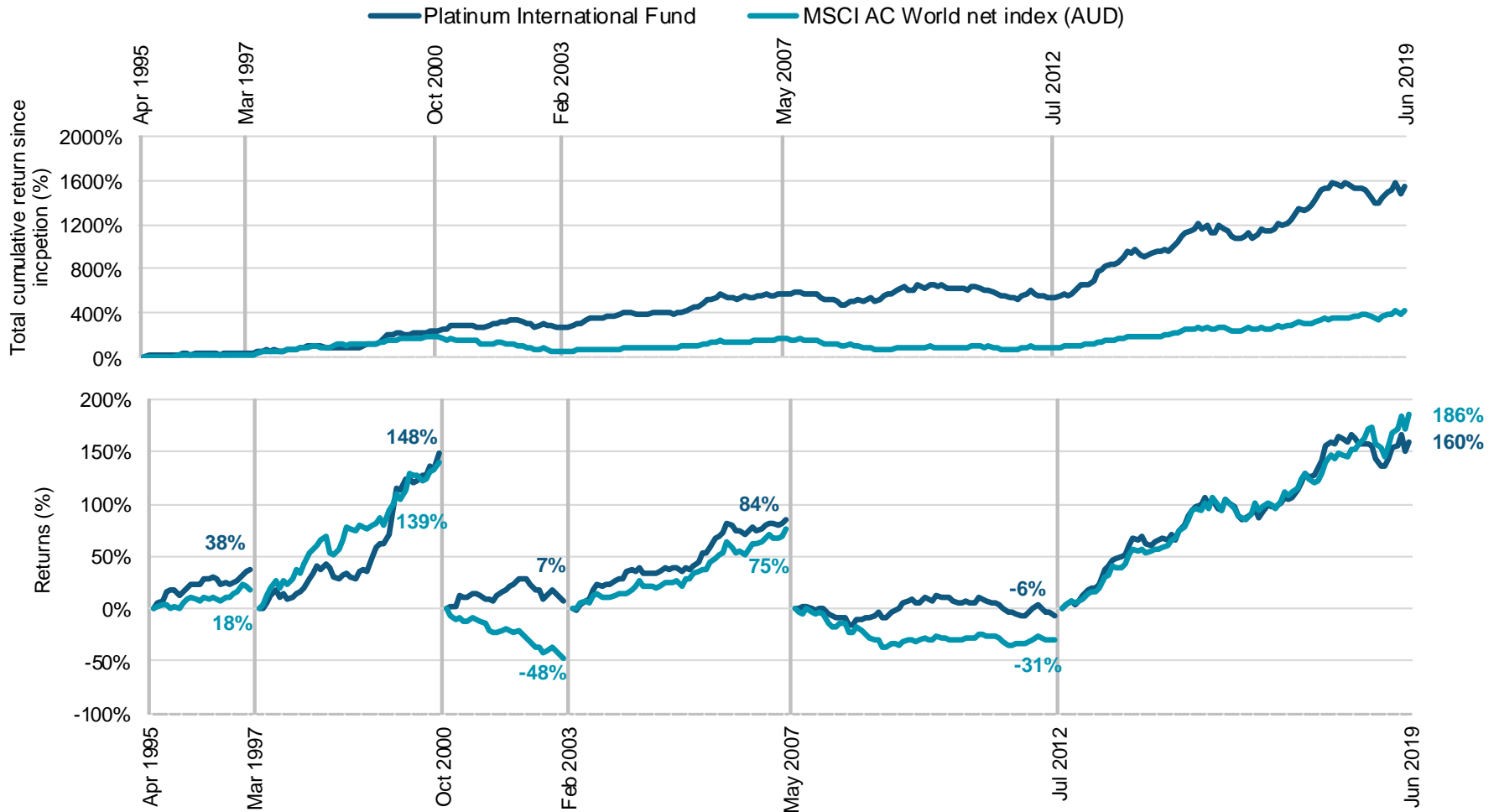
Platinum does not invest by reference to the weightings of the index. The relative returns are provided as a reference only



Platinum International Fund

Investment performance: bull & bear market view since inception to 30 June 2019

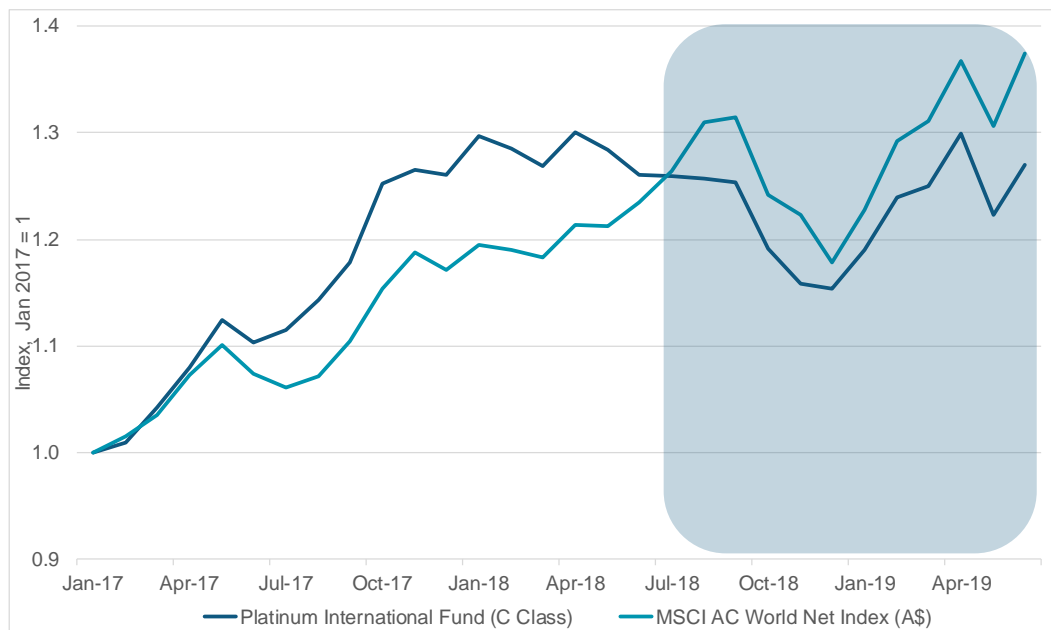
Fund performance vs MSCI AC World net index (AUD), cumulative and by market trend, since inception



Source: Platinum and FactSet Research Systems. Platinum International Fund returns are calculated using the fund's C Class unit price, are pre-tax, net of fees and costs and assume the reinvestment of distributions. The returns are calculated relative to the MSCI All Country World Net Index in A\$. The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist. Past performance is not a reliable indicator of future returns. Inception date of the fund is 4 April 1995.



2018-2019 was tough for the Platinum International Fund...



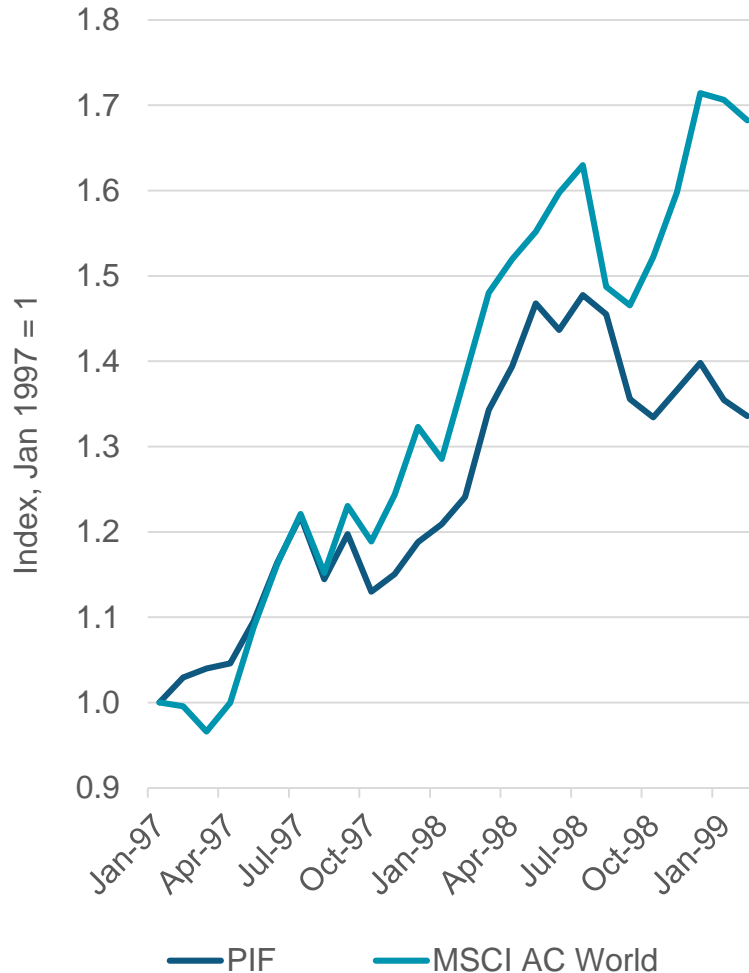
Period	Fund	Index*	Commentary on performance
May–Sep 2018	-3.6%	8.3%	Asia/Europe/Japan stocks detracted from the Fund as China slowed. The index increase was due to a narrow group of large US technology, healthcare, consumer stocks, on high starting valuations. Fund exposure was reducing as market risks were building.
Oct–Dec 2018	-8.0%	-10.3%	Outcome similar to corrections in 1998, 2011 and 2015 with the Fund outperforming the index as it sold off. We reduced the shorts and added to some beaten-down longs.
Jan–Apr 2019	12.6%	16.0%	Strong start to 2019 for the Fund and markets. Average long position returned 18%, ahead of market, but Fund held back by caution, with shorts and cash a drag.
May–Jun 2019	-2.3%	0.5%	Trade tensions reignited. Action taken to protect the Fund from escalation, yet initial impact hit positions in technology, resources and consumer discretionary companies hard.

Source: Platinum and FactSet Research Systems. Fund returns are calculated using the fund's C Class unit price, are pre-tax, net of fees and costs and assume the reinvestment of distributions. Past performance is not a reliable indicator of future returns. Platinum does not invest by reference to the weightings of the index. The index returns are provided as a reference only.



...but we've seen this before

The Platinum International Fund significantly underperformed the index in the late 1990s...



...which was the last time Growth outperformed Value by such a large amount.



Source: Platinum and FactSet Research Systems. Fund returns are calculated using the fund's C Class unit price, are pre-tax, net of fees and costs and assume the reinvestment of distributions. Past performance is not a reliable indicator of future returns. Platinum does not invest by reference to the weightings of the index. The index returns are the returns of the MSCI AC World Net Index (\$A) and are provided as a reference only.



Excesses are now evident right across financial markets

- ◆ There is extreme divergence between the crowding in secular growth and perceived safe havens, and the shunning of anything with a whiff of uncertainty. The divergence has accelerated since 2017.
- ◆ The divergence can be observed quantitatively through valuation dispersion and growth factor outperformance since 2007.
- ◆ Stocks with uncertainty are being neglected: specifically those with perceived economic sensitivity and those with regional worries such as Chinese exposure.
- ◆ We are seeking to generate returns by owning temporarily out-of-favour, but quality businesses with clear long-term growth drivers, and steady growth businesses at a reasonable price.
- ◆ We are seeking to protect clients by avoiding companies with high valuations and high debt levels.



Business Update

◆ Continuing to invest in Australia...

- Continued uplift in advisor and client support. Additional hires of investment specialist & client service staff, advisor and investor roadshows in all state capitals plus 26 advisor regional locations, partnership with FPA, targeted key advisor support, investment in improved CRM and reporting systems.
- ASX Quoted Managed Funds (QMFs) continued to gain traction. A\$201m net inflows (organic growth rate +64%) during the year with over 10,000 investors on the register*.
- Continuing to build our digital presence with clients. Platinum has approximately 78,000 direct clients, comprising 45,000 unit holders in the PT Funds** and 33,000 account holders in Platinum's QMF's and listed companies. These figures exclude clients who access the PT Funds via master trust and wrap accounts.

◆ ...whilst simultaneously building long term growth options offshore

- European sales office based in London now fully operational with 3 full time staff:
 - 350+ meetings across 11 cities. Structured program of PM and analyst visits implemented.
 - UCITS continue to attract interest (FuM \approx A\$0.4b***). Licenced in 6 countries, evaluating others.
 - Contingency plan in place to ensure a “hard Brexit” does not slow progress.
- US outsourced sales partnership (AccessAlpha) has completed its first full year of operation:
 - 120+ meetings across 33 cities. Structured program of PM and analyst visits implemented.
 - Offshore (Cayman/Delaware) absolute return, long/short, fund range established.

* As at 12-Aug19.

** PT Funds includes Platinum Trust Funds and Platinum Global Fund

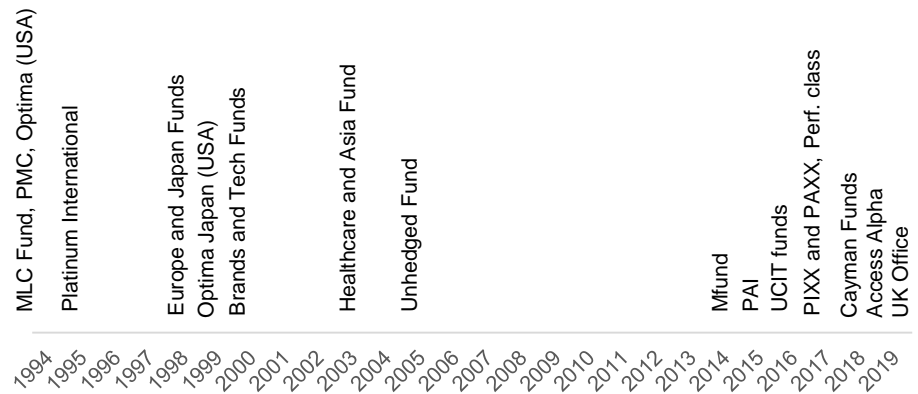
*** As at 30 June 2019



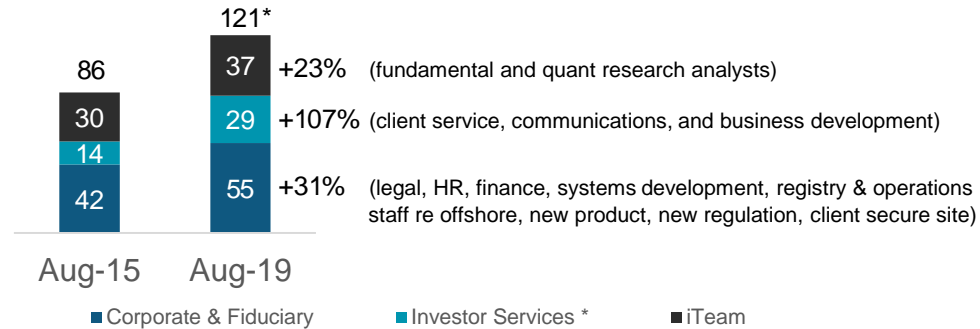
Substantially repositioned for growth

- Multi year journey to better position Platinum for future growth.
- A substantial investment in additional resources has been made whilst still adhering to a strong culture of cost control:
 - Additional investment in
 - new products,
 - new markets and
 - investment research.
 - Savings from renegotiated outsourcing used to partially fund these initiatives.
- Business is now well placed.

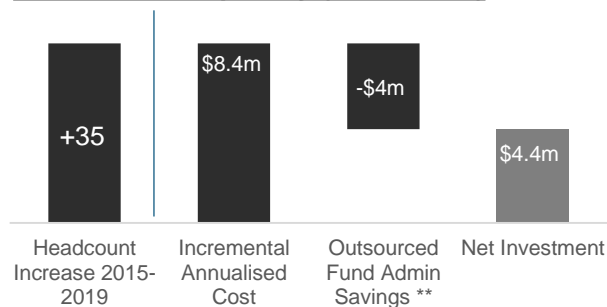
Product & business development timeline



Investment in capability (Headcount)



Investment in capability (annual cost)



Source: Platinum.



Business Update (cont.)

The Hayne Royal Commission continues to reverberate across the industry

- ◆ Many manipulative industry practices, particularly around trail commissions, rebates and undisclosed fund manager fee sharing arrangements are now under pressure, if not already banned.
- ◆ Platinum has always charged the same fee for its PT Funds* for retail investors accessing the funds directly or via a platform.
- ◆ Platinum has never entered into fee sharing arrangements in return for PT Fund flows.
- ◆ Some evidence of a new, more level, playing field is starting to emerge:
 - Advisors who cannot meet education standards and/or rely on trail commission are exiting the industry;
 - Many major banks are withdrawing from wealth, accelerating the trend to IFA's;
 - Platforms are slowly transforming into low cost, open architecture, utilities. Gatekeeper power is slowly fading;
 - Convergence between unlisted and listed funds encouraging easier access by SMSF's and direct retail.
- ◆ Platinum is well positioned for a world where performance and brand is increasing in importance.

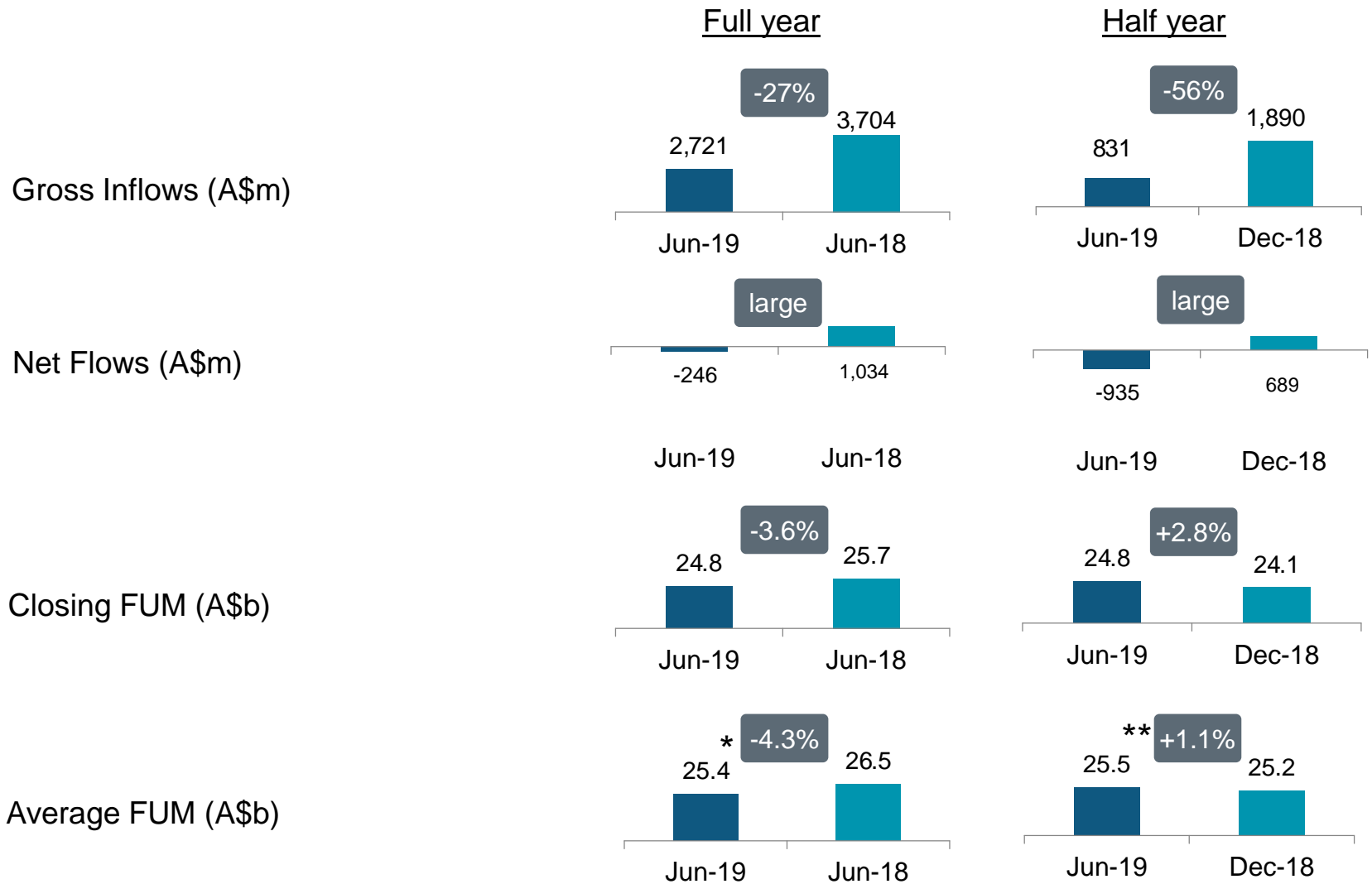


Looking ahead

- ◆ Recent investment underperformance largely reflects the late cycle bull market. Unfortunately, this will not stop some retail clients reacting negatively in the short term.
- ◆ **However, the business remains resilient and well placed for future growth...**
 - Strong position in Australian retail market. Highly differentiated products.
 - Desire for higher foreign equity exposure continues to increase in Australia.
 - New offshore initiatives provide a platform for growth over the medium term.
 - Profitable and scalable business with strong dividend capacity and an unlevered balance sheet.
- ◆ **...underpinned by a clear client proposition.**
 - Consistent, benchmark agnostic, investment process and high research quality continues to generate a large idea base.
 - An unwavering focus on delivering strong, long term, client outcomes.



Flows & Funds Under Management



Source: Platinum.

* Monthly average for the 12 month period to 30 June 2019. FUM excludes impact of annual distributions.

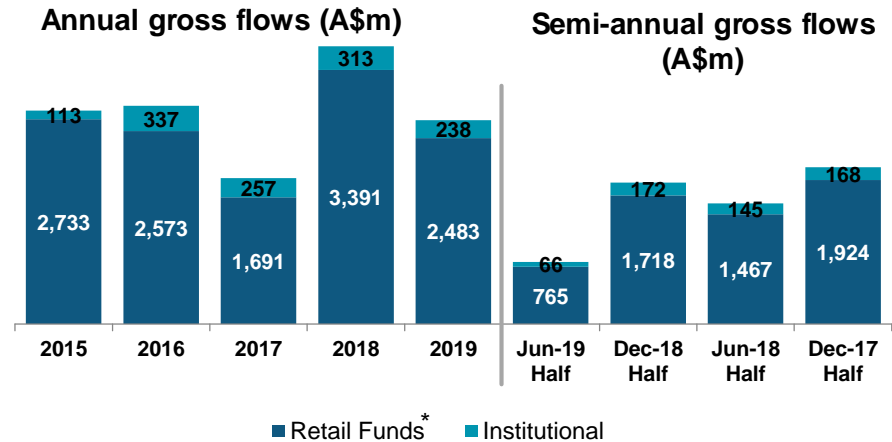
** Monthly average for the relevant 6 month period. FUM excludes impact of annual distributions.



Flows

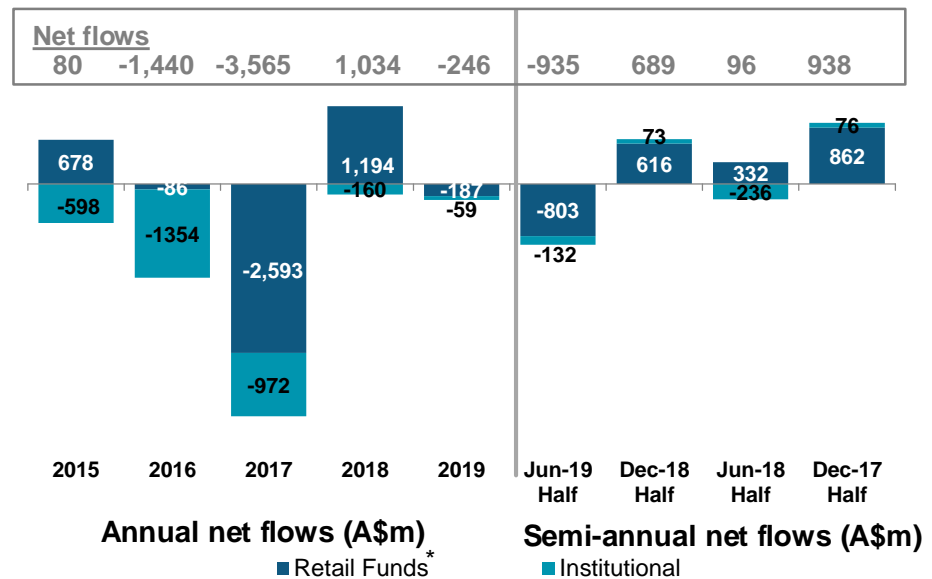
Gross Inflows FY-19

- Gross inflows in 2019 totalled \$2,721m down 27% in comparison to the previous year. Gross retail inflows slowed noticeably in the second half as the combination of volatile markets and the lagged effect of prior year under-performance weighed on investor sentiment.
- Gross inflows in 2019 included ongoing QMF inflows +\$209m.



Net Flows FY-19

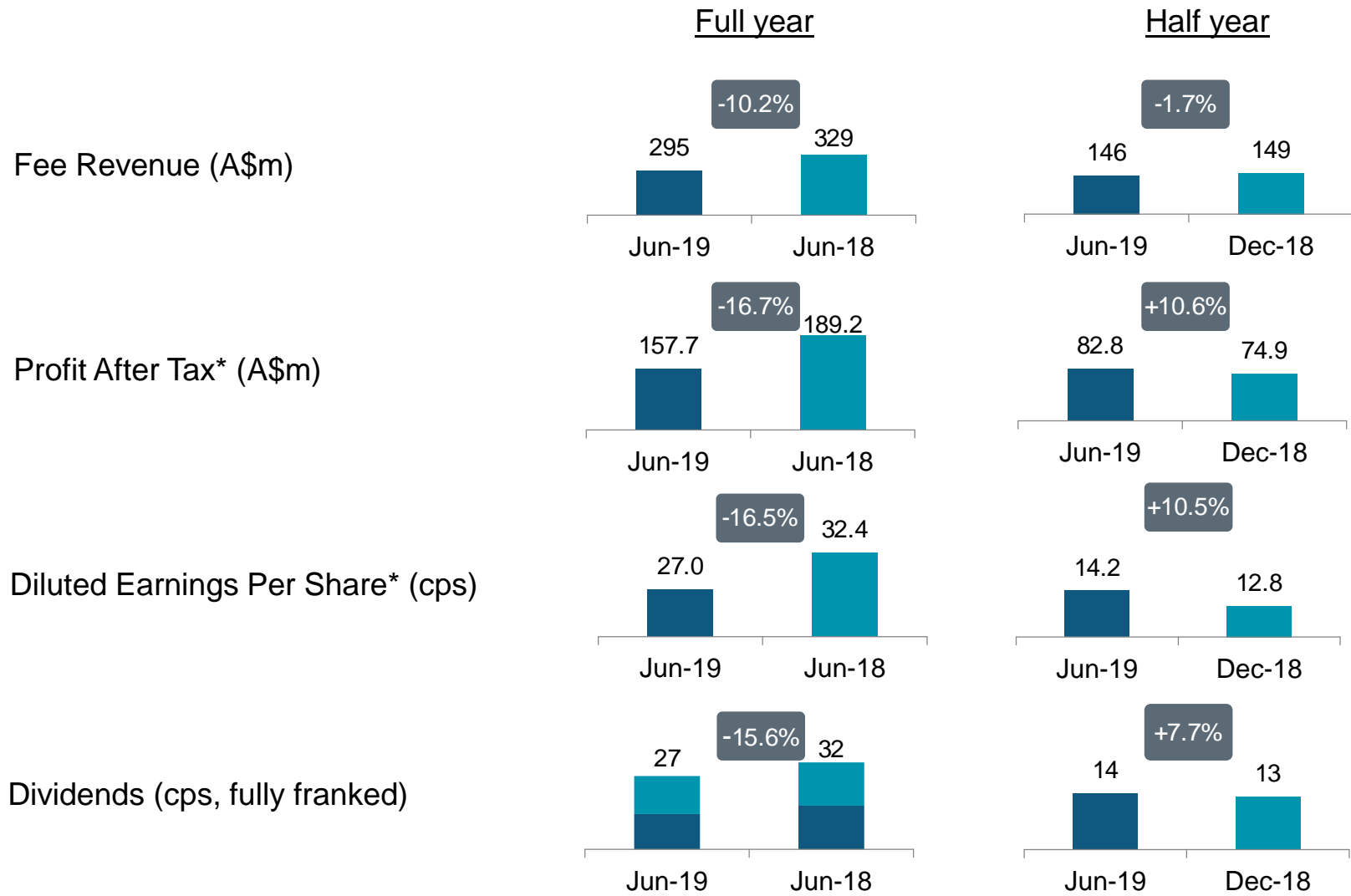
- Full year net outflows of -\$246m were caused by an acceleration in net outflows during the second half of the financial year for the reasons noted above.
- Two thirds of the variance between first half inflows and second half outflows was attributable to reduced inflows and one third to an increase in redemptions.
- Retail fund inflows were concentrated in the QMFs which had net inflows of \$201m over the year.
- Institutional fund flows were stable with small net outflows of -\$59m over the year. There were no account closures in the period.



Source: Platinum.



Operating Results



Source: Platinum.

* Profit after tax and EPS attributable to owners.



Revenue Analysis

As at 30 June 2019

	JUN-19 (\$M)	JUN-18 (\$M)	\$ VAR. (\$M)	JUN-19 H (\$M)	DEC-18 H (\$M)	\$ VAR. (\$M)	COMMENT
Average FuM (\$B)*	25.4	26.5	(1.1)	25.5	25.2	0.3	
Average Fee** (bps)	116	116	0.0	115	118	(3)	
Management fees	295.2	306.8	(11.6)	146.3	148.9	(2.6)	
Performance fees	0.0	21.9	(21.9)	0.0	0.0	0.0	
Sub-Total: Fee Revenue	295.2	328.7	(33.5)	146.3	148.9	(2.6)	
Interest income	3.5	3.7	(0.2)	1.8	1.7	0.1	
Gain/(loss) on PAI holding	0.0	7.2	(7.2)	2.2	-2.2	4.4	\$0.0m comprises (\$2.4m) equity accounted loss fully offset by \$2.4m dividend received
Gain/(Loss) on UCITS holding	0.7	3.8	(3.1)	6	-5.3	11.3	Equity accounted gain \$0.7m
(Loss)/gain on PIXX/PAXX*** holdings	(1.6)	8.6	(10.2)	10	-11.6	21.6	(\$1.6m) loss comprises \$1.3m distribution received , (\$2m) loss generated by PAXX on deconsolidation (20 May-19) and equity accounting loss (\$0.9m) since deconsolidation
FX gains	1.5	1.3	0.2	0.0	1.5	(1.5)	Gain on US\$ bank account
Sub-Total: Other Income	4.1	24.6	(20.5)	20.0	-15.9	35.9	
Total Revenue	299.3	353.3	(54)	166.3	133	33.3	

Source: Platinum.

* Average FUM excludes impact of annual distributions.

** Annualized average management fees excluding performance fees.

*** PAXX was deconsolidated on 20 May 2019.



Expense Analysis

As at 30 June 2019

	JUN-19 (\$M)	JUN-18 (\$M)	\$ VAR. (\$M)	JUN-19 H (\$M)	DEC-18 H (\$M)	\$ VAR. (\$M)	COMMENT
Staff expense, excl. variable remuneration	25.7	22.1	3.6	13.8	11.9	1.9	Increased salary and new hires
Variable remuneration expense: Cash ⁽¹⁾	13.0	27.1	(14.1)	4.6	8.4	(3.8)	See below. Includes new hires
Variable remuneration expense: Deferred ⁽²⁾	4.9	3.6	1.3	3.1	1.8	1.3	See below
Custody, administration, trustee and unit registry costs	12.8	13.3	(0.5)	6.4	6.4	0.0	
Business development costs	7.1	7.4	(0.3)	3.6	3.5	0.1	
Research	2.6	2.2	0.4	1.4	1.2	0.2	
Other costs	10.3	9.3	1.0	5.5	4.8	0.7	Increase in Technology costs (mostly US\$ related) and UK office.
Total Expenses	76.4	85.0	(8.6)	38.4	38.0	0.4	

(1) Variable Remuneration	JUN-19	JUN-18	JUN-17
% Expense: Investment Team	53%	76%	64%
% Expense: General Plan	42%	19%	31%
% on-costs (payroll tax)	5%	5%	5%
Weighted Average 1 and 3 year investment performance*	-5.9%	+3.7%	-1.4%

(2) Accounting for the deferred remuneration plan

- 4 year vesting period plus award year = 5 year amortisation period
- Expense is adjusted for an estimate of likely future experience
- Award is hedged via an Employee Share Trust. No future P&L impact of any gains/losses caused by share price variation

* The June 19 and 18 figures relate to investment performance for the 1 and 3 years ended 31 March of those years, which provided the basis for June investment team plan and profit share plan variable remuneration awards.

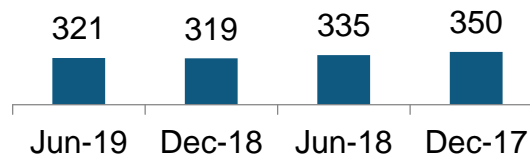
Source: Platinum.



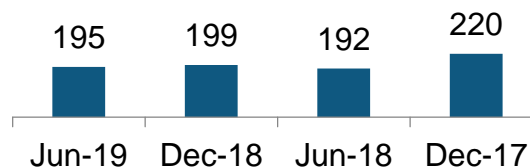
Strong Balance Sheet

As at 30 June 2019

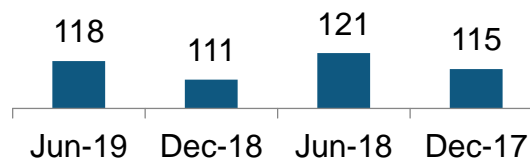
Net Assets* (A\$m)



Cash & Term Deposits** (A\$m)



Seed Investments*** (A\$m)



Dividends (cps)



Source: Platinum. * Net Assets attributable to owners .

** Dec-18 balance is stated after the deduction of cash & term deposits related to PTM's non controlling interests in PAXX.

*** Includes PTM's investment in PAI (at fair value) of \$31m, in UCITS funds of \$63m and in PAXX of \$24m.



Questions



Appendix 1:

Detailed Operating Results

(\$M)	Jun-19	Jun-18	% CHANGE	Jun-19H	Dec-18H	% CHANGE
Management fees	295.2	306.8	-4%	146.3	148.9	-2%
Performance fees	0.0	21.9	Large	0.0	0.0	-
Interest income	3.5	3.7	-5%	1.8	1.7	6%
Net gains/(losses) on FX, FA & other income	0.6	20.9	Large	18.2	(17.6)	Large
Total revenue	299.3	353.3	-15%	166.3	133.0	25%
Staff costs	43.6	52.8	-17%	21.5	22.1	-3%
Custody and unit registry costs	12.8	13.3	-4%	6.4	6.4	0
Business development costs	7.1	7.4	-4%	3.6	3.5	3%
Research	2.6	2.2	18%	1.4	1.2	17%
Other costs	10.3	9.3	11%	5.5	4.8	15%
Total costs	76.4	85.0	-10%	38.4	38.0	1%
Pre-tax profit	222.9	268.3	-17%	127.9	95.0	35%
Income tax expense	64.6	76.7	-16%	34.8	29.8	17%
Net profit after tax	158.3	191.6	-17%	93.1	65.2	43%
Net profit after tax attributable to owners	157.7	189.2	-17%	82.8	74.9	11%
Diluted EPS (c)	27.0	32.4	-17%	14.2	12.8	11%
Average FUM (\$b)*	25.4	26.5	-4%	25.5	25.2	1%
Total no. of shares – issued (m)	586.7	586.7	-%	586.7	586.7	-%

Source: Platinum

*Average FUM excludes the impact of annual distributions.



Appendix 2

Funds under Management: Year to 30 June 2019, A\$m

FUNDS	OPENING BALANCE (1 JUL 2018)	NET CLIENT FLOWS	DISTRIBUTIONS & OTHER	INVESTMENT PERFORMANCE	CLOSING BALANCE (30 JUN 2019)	% OF TOTAL
Retail Funds						
Platinum Trust Funds and Platinum Global Fund ¹	16,927	(254)	(780)	46	15,939	64%
Platinum Quoted Managed Funds – PIXX and PAXX	313	201	(33)	5	486	2%
Platinum Listed Investment Company's – PMC and PAI	934	-	(94)	8	848	3%
MLC Platinum Global Fund	970	(134)	-	(1)	835	3%
Institutional Clients						
Platinum World Portfolios PLC – UCITS	444	(22)	-	(1)	421	2%
Fixed Fee Mandates	2,421	(13)	-	58	2,466	10%
'Relative' Performance Fee ²	3,192	31	(1)	107	3,329	14%
'Absolute' Performance Fee	498	(55)	-	2	445	2%
TOTAL	25,699	(246)	(908)	224	24,769	100%

¹ FuM closing balance excludes QMFs but includes retail performance fee class totalling \$37m. FuM excludes \$1.3b attributable to institutional investors in the Platinum Trust Funds that have elected a performance fee option.

² FuM closing balance includes Platinum Trust Fund institutional performance fee clients of 1.3b, mandates of \$2.0b attributable to institutional investors.



Appendix 3

Segment Analysis: As at 30 June 2019

FUNDS MANAGEMENT	JUN-19 (\$M)	JUN-18 (\$M)	% VAR
Fee Revenue	295.2	328.7	-10%
Other Revenue	0.3	0.4	-25%
Total Revenue	295.5	329.1	-10%
Expenses	(76.0)	(84.7)	-10%
Profit Before Tax	219.5	244.4	-10%
Income Tax Expense	(64.3)	(69.0)	-7%
Non controlling interest	-	-	
Profit After Tax attributable to owners	155.2	175.4	-12%
Average FuM*	25,394	26,528	-4%

INVESTMENTS AND OTHER	JUN-19 (\$M)	JUN-18 (\$M)	% VAR
Fee Revenue	-	-	-
Other Revenue	3.8	24.2	-85%
Total Revenue	3.8	24.2	-85%
Expenses	(0.4)	(0.3)	33%
Profit Before Tax	3.4	23.9	-86%
Income Tax Expense	(0.3)	(7.7)	-96%
Non controlling interest	-	(2.4)	Large
Profit After Tax attributable to owners	3.1	13.8	-78%
Segment Net Assets	303.1	382.2	-21%

- ◆ Funds management revenue down (10.2%) year-on-year, mostly due to decrease in performance fee income.
- ◆ Profits from investments and other income reduced by (77.5%) year on year, reflecting lower investment performance.



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Unless otherwise expressly stated, investment returns for the Platinum Trust Funds have been calculated using the relevant fund’s NAV unit price (C Class – which does not have a performance fee component) and represent the combined income and capital return for the specified period. They are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. The respective inception dates of the funds (C Class) are: Platinum International Fund – 30 April 1995; Platinum Unhedged Fund – 28 January 2005; Platinum Asia Fund – 4 March 2003; Platinum European Fund – 30 June 1998; Platinum Japan Fund – 30 June 1998; Platinum International Brands Fund – 18 May 2000; Platinum International Health Care Fund – 10 November 2003; Platinum International Technology Fund – 18 May 2000.

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