



Platinum Asset Management Limited

22 February 2019

— Andrew Clifford, Co-Founder

Analyst Briefing



Business Highlights

6 months to December 2018

- ◆ Net inflows of \$0.7B led by Platinum Trust Funds.
- ◆ Average Dec-18 AuM of \$25.2B, down 1% on Dec-17.
- ◆ Management Fee revenue up 3% with a positive mix change towards retail.
- ◆ Pre-tax profit (excluding performance fees) from Funds Management activities up 6%.
- ◆ Overall profit after tax down 27%, due to negligible absolute return performance fees and mark to market losses on seed investments.
- ◆ Expenses generally well controlled, with a 7% decrease in overall costs driven by a 13% decrease in staff costs (mostly variable remuneration).
- ◆ Earnings per share down 27% on prior comparative period.
- ◆ Interim fully franked dividend of 13 cps (~ 5% annualised yield*).



Investment Performance

As at 31 December 2018

Performance of Platinum Trust Funds (December-18)		1 year	5 year	10 year	Since Inception	FuM (A\$b)
International Fund (PM's: AC, CS)	- Absolute Return	-8.5%	7.2%	9.1%	12.1%	9.9
	- Relative Return	-9.1%	-2.2%	-0.3%	+5.6%	
Asia Fund (PM: JL)	- Absolute Return	-10.2%	8.7%	10.9%	14.0%	4.2
	- Relative Return	-5.3%	-0.4%	+0.9%	+4.1%	
International Brands Fund (PM: JH)	- Absolute Return	-8.0%	7.2%	12.5%	12.0%	0.7
	- Relative Return	-8.6%	-2.2%	+3.1%	+9.3%	
Japan Fund (PM: SG)	- Absolute Return	-10.0%	11.2%	12.9%	14.0%	0.7
	- Relative Return	-6.8%	+3.1%	+7.6%	+11.5%	
European Fund (PM: ND)	- Absolute Return	-5.2%	7.7%	12.6%	11.4%	0.9
	- Relative Return	+0.1%	+3.5%	+6.7%	+8.8%	
Health Care Fund (PM: BO)	- Absolute Return	+8.7%	11.9%	14.2%	9.3%	0.2
	- Relative Return	-4.3%	-0.8%	+2.5%	+0.5%	
Unhedged Fund (long only) (PM: CS)	- Absolute Return	-8.9%	8.9%	12.4%	10.6%	0.3
	- Relative Return	-9.6%	-0.5%	+3.0%	+4.0%	
Technology Fund (PM: AB, CR)	- Absolute Return	-2.5%	8.3%	10.7%	8.9%	0.1
	- Relative Return	-7.2%	-9.5%	-5.1%	+8.4%	
					Subtotal (A\$b)	17.0
					% of Total FuM	70%

Portfolio Managers:

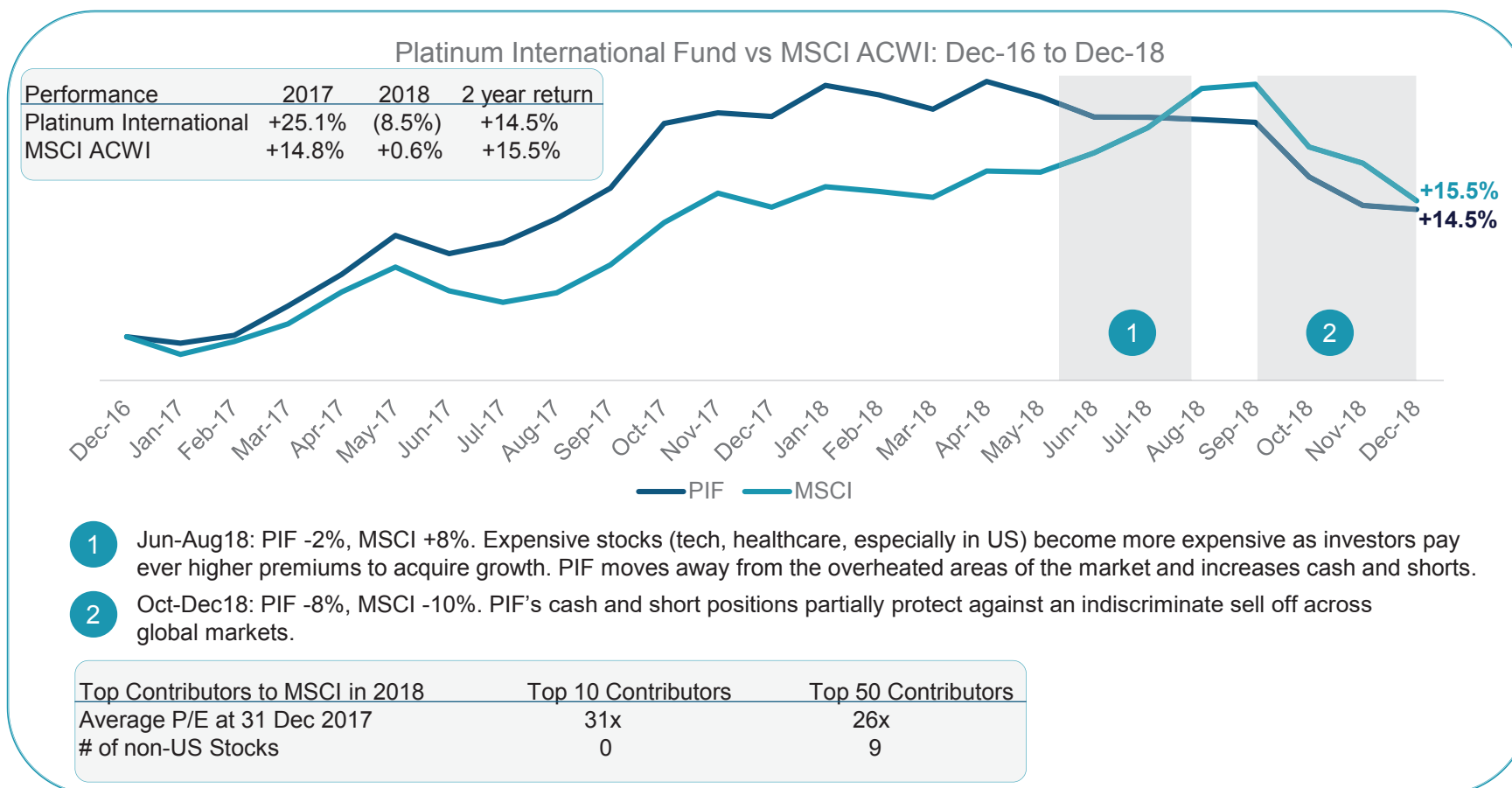
AC = Andrew Clifford, CS=Clay Smolinski, JL= Joe Lai, JH=Jamie Halse, SG=Scott Gilchrist, ND= Nik Dvornak, BO = Bianca Ogden, AB = Alessandro Barbi, CR = Cameron Robertson

4 Source: Platinum. Fund returns are annualised, calculated using the relevant fund's NAV unit price for C Class and represent the combined income and capital returns over the specified period. Returns are calculated net of accrued 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 the relevant fund relative to the fund's nominated benchmark as stated in the Platinum Trust Product Disclosure Statement No. 11 dated 3 July 2017 as supplemented by the Supplementary Product Disclosure Statement dated 23 February 2018 and the Second Supplementary Product Disclosure Statement dated 16 October 2018.



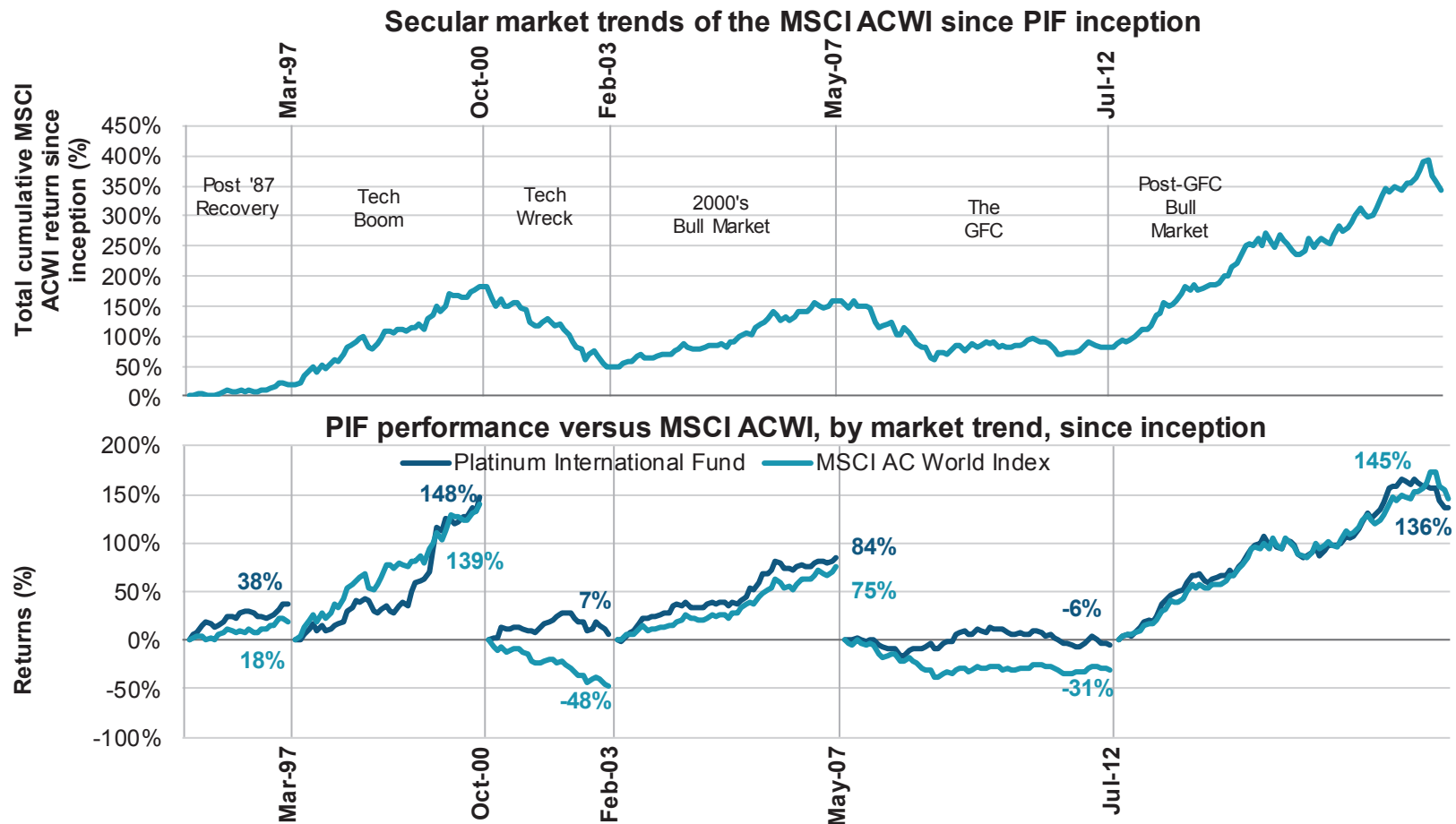
Investment Performance; some context

- ◆ Funds have generally kept pace with the index over the last 2 years but the path has been very different
- ◆ Platinum has oscillated between being in-step and out-of-step with markets
- ◆ Investment approach unchanged: Pursuing neglect, eschewing benchmarks and seeking to protect capital



Platinum International Fund

Investment performance: bull and bear market view, as at 31 December 2018



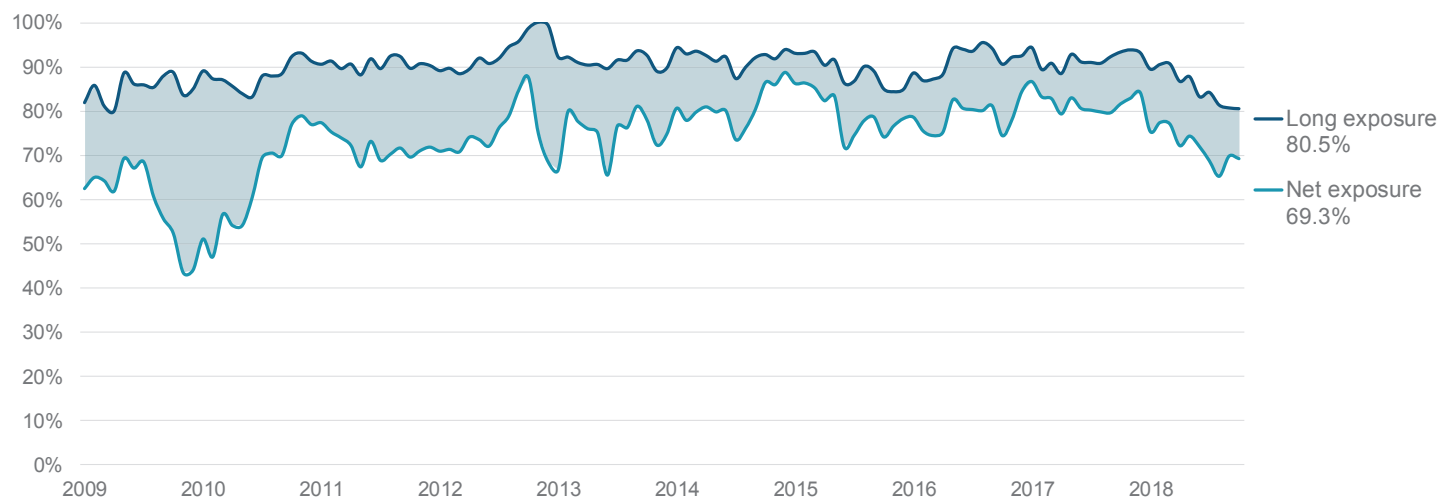
Platinum International Fund

Portfolio Positioning:
Compelling value plus strong downside protection

Valuation Attributes at 31 December 2018*

	Price to Earnings (x)	Price to Sales (x)	Price to Book (x)	Price to Op. CF (x)	Price to Free CF (x)	Dividend Yield (%)
Platinum International Fund	9.8	0.9	1.3	6.1	10.8	3.3%
MSCI AC World Index	13.6	1.4	1.9	9.5	16.2	3.2%

Long and net exposure: January 2009 to December 2018



Sources: Platinum & FactSet.

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* Assumptions: Long positions only, Excluding fund cash holdings, Negative values excluded, Median Factset consensus estimates. The "Long exposure" represents PIF's exposure to direct securities holdings and long stock/index derivatives as a percentage of the fund's net asset value. The "Net exposure" represents PIF's exposure to direct securities holdings and both long and short stock/index derivatives as a percentage of the fund's net asset value. Actual exposures may change from time to time by Platinum.



Update on Key Business Initiatives

- ◆ European UCITS continue to attract interest (FuM ≈ A\$0.4b*).
 - London sales office now established to better support European clients
 - Two hires made, one search ongoing
 - Process underway to obtain full FCA licence. An interim plan has been implemented to ensure licencing does not slow down progress.
- ◆ ASX Quoted Managed Funds (QMFs) continue to gain traction. Inflows exceed A\$500m since inception** with over 10,000 investors on the register*.
- ◆ US distribution arrangement with Access Alpha now well established. Substantial increase in the number of high quality interactions with prospective US clients. Lead times to convert institutional relationships remain long however.
- ◆ Continuing to build our digital presence with clients to enable full access to new features.
- ◆ Support for advisors has intensified. Increased activity by our Investment Specialists, supported by Investment Team members as required.



Royal Commission

“...conflicts of interest...should be eliminated rather than managed”

(Final Report of Royal Commission in the Banking, Superannuation and Financial Services Industry)

“...for the first time, a civil penalty (capped at \$525m)...to ensure...financial services...are provided efficiently, honestly and fairly”

(ASIC update on implementation of Royal Commission recommendations – February 2019)

- ◆ Platinum has always sought to avoid conflicts of interest and act in the client’s best interests
- ◆ Those fund managers who rely on platforms for their retail distribution are more likely to be impacted than those with a strong retail brand
 - fee sharing deals between platforms and fund managers (that are ultimately paid for by clients) are at risk where there is “no direct benefit to members”⁽¹⁾
 - APL’s, model portfolios and MDA’s should become free from conflicted remuneration if they are used by “independent” advisors and their firms
 - platforms to become increasingly commoditised. Existing “best interests” and “efficiency” duties may restrict “inefficient” administration charges⁽²⁾ from being passed on to clients.
- ◆ However, all fund managers will likely experience increased “money in motion” as superannuation and investment products/platforms are either restructured or closed
- ◆ This could be a positive or a negative for future Platinum flows



Outlook

◆ **The business is well placed...**

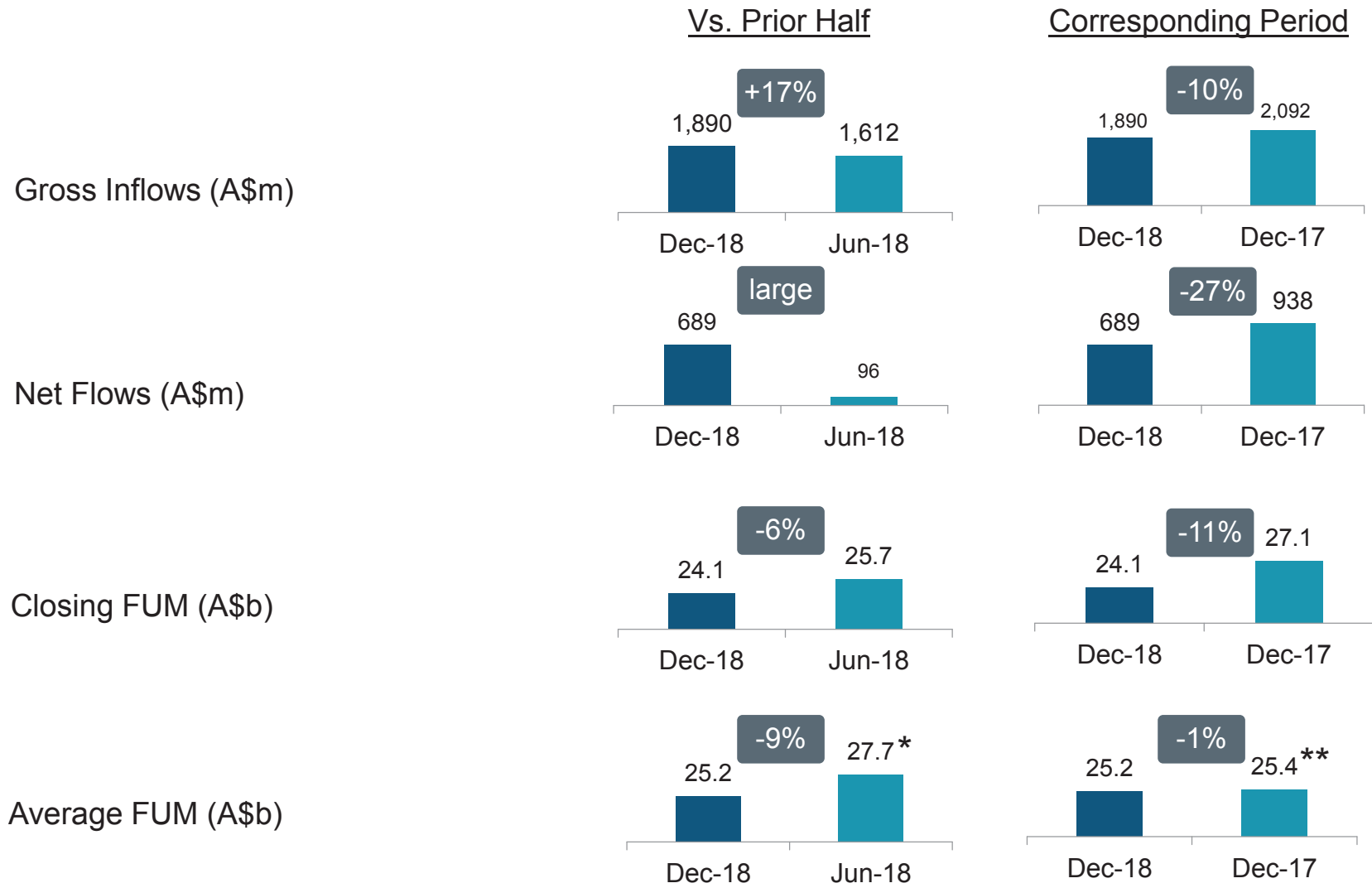
- Strong position in Australian retail market. Highly differentiated product.
- Desire for higher foreign equity exposure continues to increase in Australia.
- New offshore initiatives provide a platform for growth over the medium term.

◆ **...underpinned by a clear client proposition.**

- Consistent investment process and high research quality generating large idea base.
- Benchmark agnostic – aiming to create a long term value proposition.



Flows & Funds Under Management



Source: Platinum.

11 * Monthly average for the 6 month period to 30 June 2018. FUM excludes impact of annual distributions.

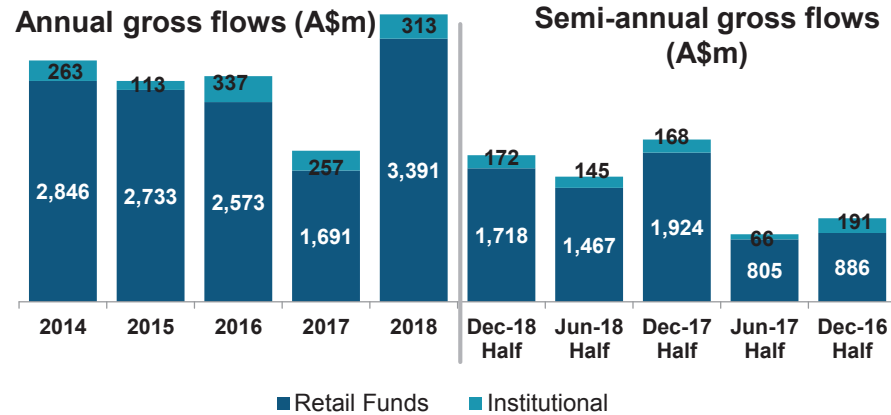
** Monthly average for the 6 month period to 31 December 2017.



Flows

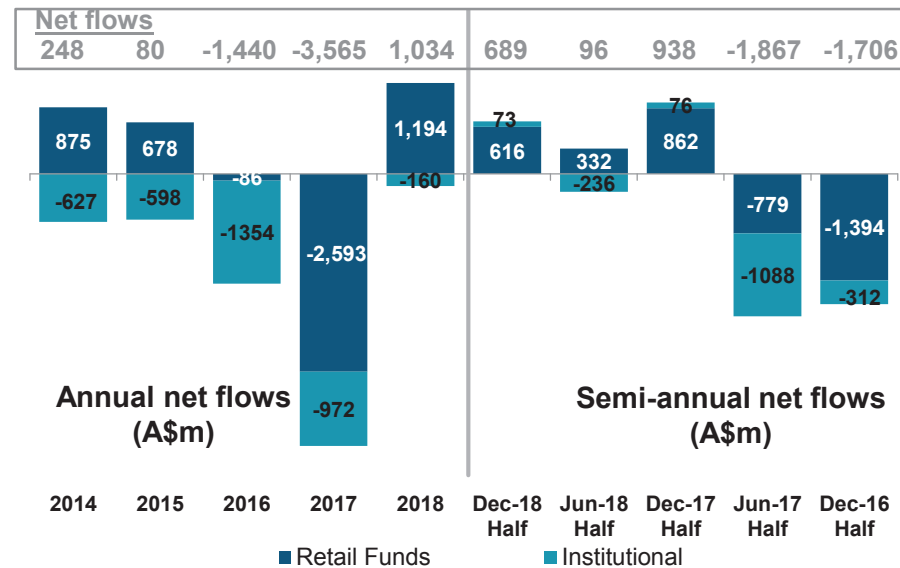
Gross Flows

- Gross flows for the 6 months to Dec-18 were resilient, coming in ahead of the prior half and down slightly on the prior comparative period
- Gross flows in Dec-18 half included ongoing QMF inflows (+\$164m) and strong PT fund inflows.
- However, gross inflows did slow in the last few months of the half as the combination of declining markets and relative underperformance began to weigh on investor sentiment

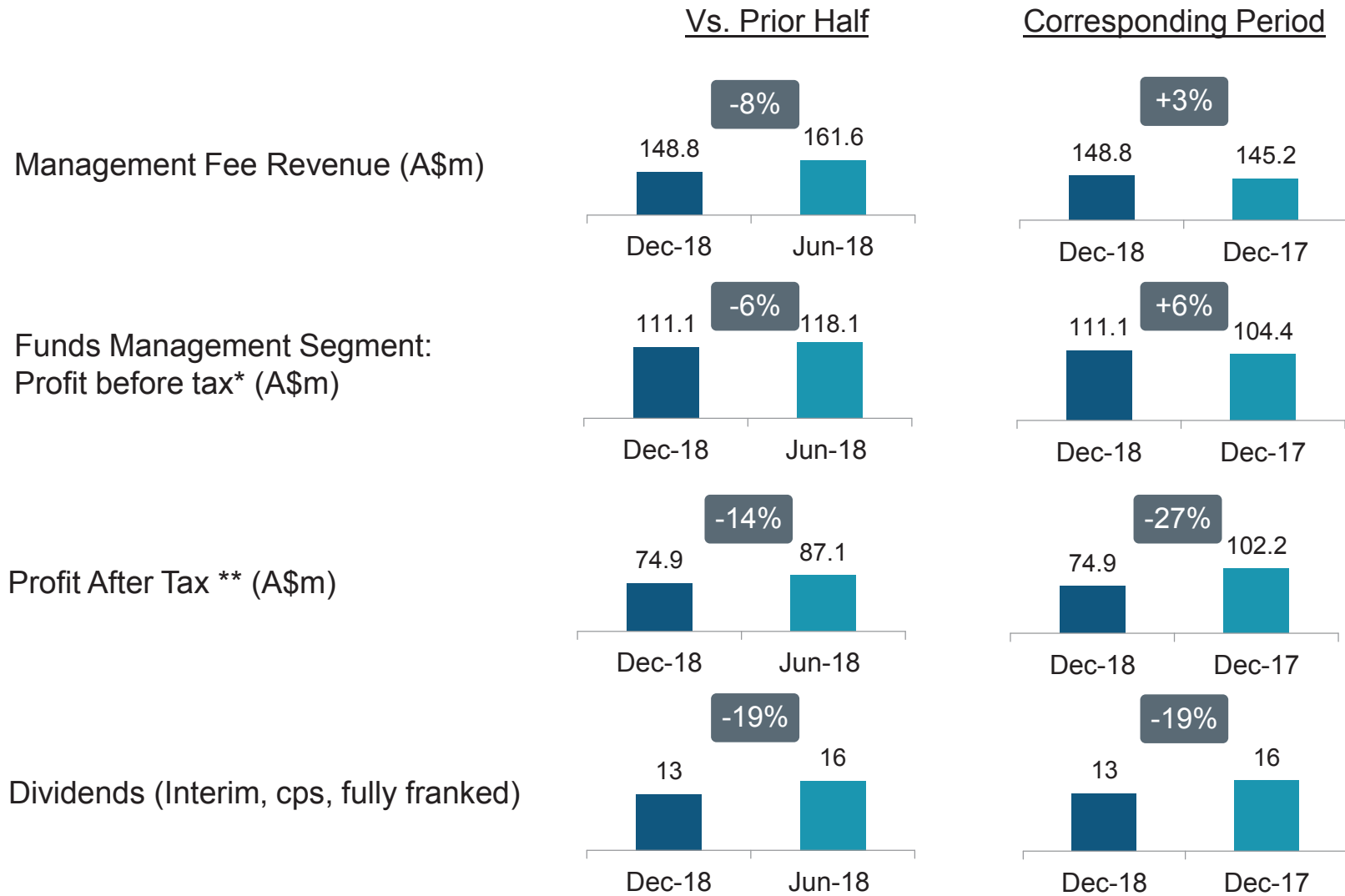


Net Flows

- Solid net-flows of \$689m in the Dec-18 half, albeit with 88% of the flows coming in the first three months. Dec-18 was the first month to see net outflows.
- Retail outflows of \$1.1b were in line with the prior half. Slowing net inflows in recent months therefore mostly a function of reduced gross inflows
- 23% of net inflows came from new and overseas products.
- Retail fund inflows were relatively concentrated in the flagship products with PIF & PAF contributing \$503m*, and QMFs contributing \$164m.



Operating Results



Source: Platinum.
 * Excluding performance fees
 ** Profit after tax attributable to owners.



Revenue Analysis

As at 31 December 2018

	DEC-18 (\$M)	JUN-18 H (\$M)	VAR. (\$M)	DEC-17 (\$M)	VAR. (\$M)	COMMENT
Average FuM (\$B)	25.2	27.7	-2.5	25.4	-0.2	
Average Fee* (bps)	118	117	1.0	114	4.0	Positive fee mix change towards retail
Management and admin fees	148.9	161.6	-12.7	145.2	3.7	
Performance fees	0.0	1.1	-1.1	20.8	-20.8	No absolute performance fees for 2018
Sub-Total: Fee Revenue	148.9	162.7	-13.8	166.0	-17.1	
Interest income	1.7	1.8	-0.1	1.9	-0.2	Lower average cash balances and rates
Gain/(loss) on PAI holding	-2.2	-0.1	-2.1	7.3	-9.5	-\$2.2m comprises -\$4.0m equity accounted loss and \$1.8m dividend received.
Gain/(loss) on UCITS holding	-5.3	-2.1	-3.2	5.9	-11.2	Equity accounted loss
Gain/(loss) on PIXX/PAXX** holdings	-11.6	3.8	-15.4	4.8	-16.4	PAXX is consolidated, Minority interest \$9.7m so net mark to market -\$1.9m
FX gains	1.5	1.3	0.2	0.0	1.5	Gains on US\$ cash (approx. US\$22m)
Sub-Total: Other Income	-15.9	4.7	-20.6	19.9	-35.8	
Total Revenue	133.0	167.4	-34.4	185.9	-52.9	

Source: Platinum.

14 * Annualised average management fee, excluding performance fees.

** PAXX is consolidated. Prior to disposal in FY-18, PIXX was accounted for at fair value.



Expense Analysis

As at 31 December 2018

	DEC-18 (\$M)	JUN-18 H (\$M)	\$ VAR. (\$M)	DEC-17 (\$M)	\$ VAR. (\$M)	COMMENT
Staff costs, incl. share based payments expense ⁽¹⁾	13.7	14.5	-0.8	11.2	2.5	Vs. Jun-18H: Lower superannuation and deferred amortisation Vs. Dec-17H: Salary increase, incr. share based payment amortisation and new hires
Variable remuneration ⁽²⁾	8.4	12.8	-4.4	14.3	-5.9	Weaker investment performance, partly offset by new hires
Custody, administration, trustee and unit registry costs	6.4	6.8	-0.4	6.5	-0.1	Lower FuM
Business development costs	3.5	4.2	-0.7	3.2	0.3	Website and increased advertising in June half
Research	1.2	1.2	0	1.0	0.2	Incr. in overseas travel
Other costs	4.8	4.5	0.3	4.8	0	Increase in legal and other costs associated with offshore expansion
Total Expenses	38.0	44.0	-6.0	41.0	-3.0	

(1) Accounting for the deferred bonus 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

(2) Variable Remuneration

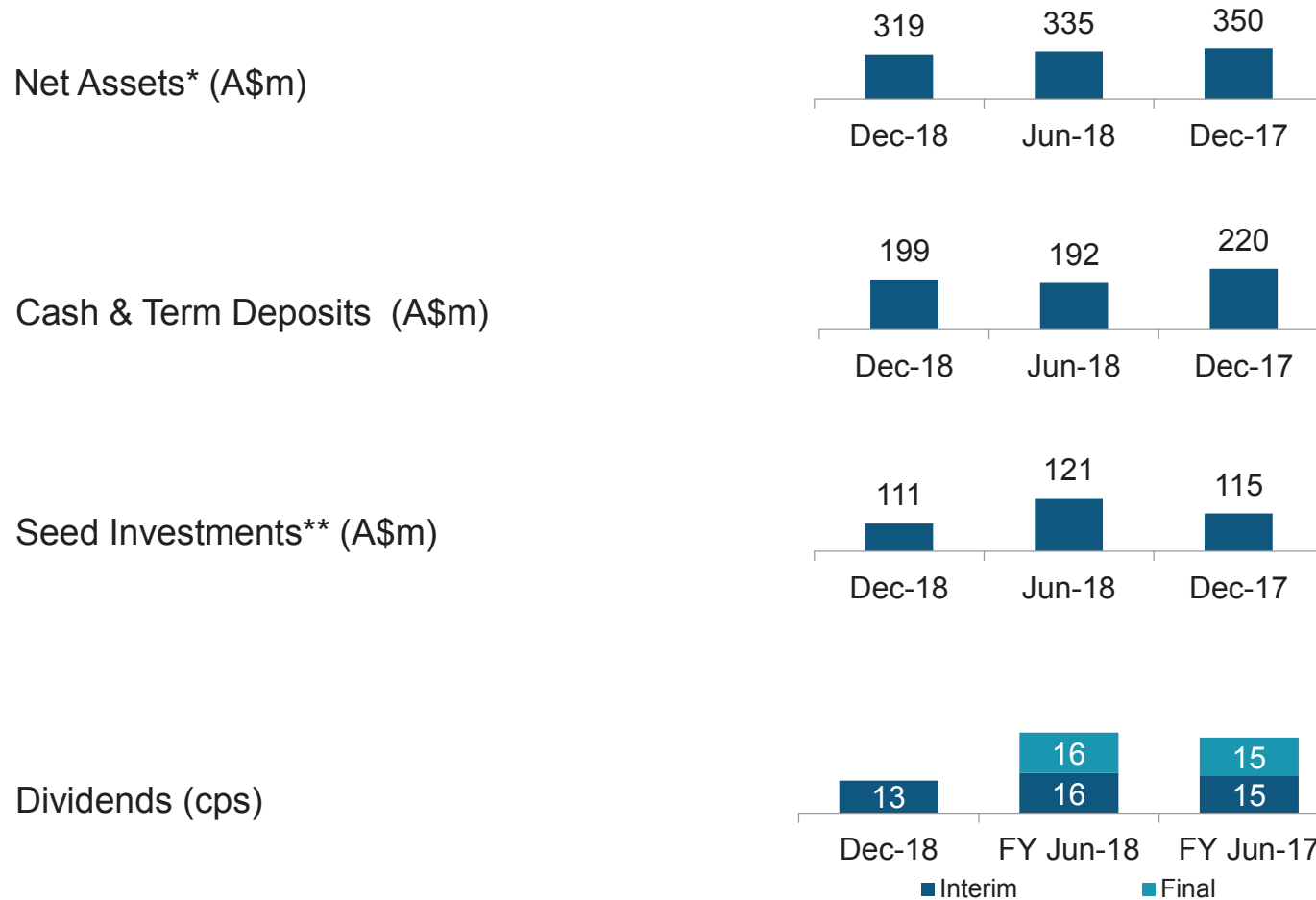
	DEC-18 H	JUN-18 FY	DEC-17 H
% Expense: Investment Team	58%	76%	81%
% Expense: General Plan	37%	19%	14%
% on-costs (payroll tax)	5%	5%	5%
Weighted Average 1 and 3 year investment performance*	-4.4%	+3.7%	+4.3%

* The June 18 figures represent investment performance for the 1 and 3 years ended 31 March of those years, which provided the basis for June analyst and profit share plan variable remuneration awards. The Dec-17 and Dec-18 figures represents performance for the 9 months and 33 months ended December, which formed the basis for the half year analyst and profit share plan variable remuneration accrual.
Source: Platinum.



Strong Balance Sheet

As at 31 December 2018



Questions



Appendix 1:

Detailed Operating Results

(\$M)	Dec-18	Jun-18 H	% CHANGE	Dec-18	Dec-17	% CHANGE
Management and admin fees	148.9	161.6	-8%	148.9	145.2	3%
Performance fees	0.0	1.1	large	0.0	20.8	large
Interest income	1.7	1.8	-6%	1.7	1.9	-11%
Net gains/(losses) on FX, FA & other income	(17.6)	2.9	large	(17.6)	18.0	large
Total revenue	133.0	167.4	-21%	133.0	185.9	-28%
Staff costs incl. share based payments	22.1	27.3	-19%	22.1	25.5	-13%
Custody and unit registry costs	6.4	6.8	-6%	6.4	6.5	-2%
Business development costs	3.5	4.2	-17%	3.5	3.2	9%
Research	1.2	1.2	0%	1.2	1.0	20%
Other costs	4.8	4.5	7%	4.8	4.8	0%
Total costs	38.0	44.0	-14%	38.0	41.0	-7%
Pre-tax profit	95.0	123.4	-23%	95.0	144.9	-34%
Income tax expense	29.8	36.4	-18%	29.8	40.3	-26%
Net profit after tax	65.2	87	-25%	65.2	104.6	-38%
Net profit after tax attributable to owners	74.9	87.0	-14%	74.9	102.2	-27%
Diluted EPS (c)	12.8	14.9	-14%	12.8	17.5	-27%
Average FUM (\$b)	25.2	27.7	-9%	25.2	25.4	-1%
Total no. of shares – issued (m)	586.7	586.7	-	586.7	586.7	-



Appendix 2

Funds under Management: Half year to December 2018, A\$m

FUNDS	OPENING BALANCE (1 JUL 2018)	NET CLIENT FLOWS	DISTRIBUTIONS & OTHER	INVESTMENT PERFORMANCE	CLOSING BALANCE (31 DEC 2018)	% OF TOTAL
Retail Funds						
Platinum Trust Funds and Platinum Global Fund ¹	16,927	516	-	(1,509)	15,934	66%
Platinum Quoted Managed Funds – PIXX and PAXX	313	164	-	(41)	436	2%
Platinum Listed Investment Company's – PMC and PAI	934	-	(58)	(75)	801	3%
MLC Platinum Global Fund	970	(64)	-	(83)	823	3%
Institutional Clients						
Platinum World Portfolios plc – UCITS	444	(4)	-	(41)	399	2%
Fixed Fee Mandates	2,421	56	-	(183)	2,294	10%
'Relative' Performance Fee ²	3,192	37	-	(269)	2,960	12%
'Absolute' Performance Fee	498	(16)	-	(40)	442	2%
TOTAL	25,699	689	(58)	(2,241)	24,089	100%

¹ FuM closing balance excludes QMFs but includes retail performance fee class totalling \$40m. FuM excludes \$1.0b 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 \$0.2b, mandates of \$1.8b and \$1.0b attributable to institutional investors in the Platinum Trust Funds that switched to a performance fee.



Appendix 3

Segment Analysis: As at 31 December 2018

FUNDS MANAGEMENT	DEC-18 (\$M)	DEC-17 (\$M)	% VAR
Fee Revenue	148.9	166.0	(10%)
Other Revenue	0.1	0.2	(50%)
Total Revenue	149.0	166.2	(10%)
Expenses	(37.9)	(41.0)	(8%)
Profit Before Tax	111.1	125.2	(11%)
Income Tax Expense	(35.2)	(34.5)	2%
Non controlling interest	-	-	-
Profit After Tax attributable to owners	75.9	90.7	(16%)
Average FuM	25,249	25,404	-1%

INVESTMENTS AND OTHER	DEC-18 (\$M)	DEC-17 (\$M)	% VAR
Fee Revenue	-	-	-
Other Revenue	(16.0)	19.8	(large)
Total Revenue	(16.0)	19.8	(large)
Expenses	(0.1)	(0.1)	0%
Profit Before Tax	(16.1)	19.7	(large)
Income Tax Expense	5.4	(5.7)	(large)
Non controlling interest	9.7	(2.5)	(large)
Profit After Tax attributable to owners	(1.0)	11.5	(large)
Segment Net Assets	418.8	337.2	24%

- ◆ Funds management revenue, including performance fees, was down 10% year-on-year. Fee revenue was up 3% but performance fees were down \$21m. Expenses down 8%, mostly due to lower incentive accruals and profits were down 16%.
- ◆ Investments recorded a loss for the half, primarily reflecting the poor investment markets.



Disclaimer

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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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