

# Platinum Asset Management Limited

## Analyst Briefing

24 February 2021

# Andrew Clifford, Co-Founder

# Andrew Stannard, Finance Director

Analyst Briefing



# Financial Highlights

December 2020

- ◆ Dec-20 average FuM \$22.2 billion down 11% on Dec-19.
- ◆ Management fee revenue down 12%, in line with reduced average FuM.
- ◆ Performance fees of \$3.7m, sourced primarily from International, Asia ex-Japan and Health Care strategies.
- ◆ Other income up \$27.0m, due to mark to market gains on seed investments.
- ◆ Expenses down 8%. Decreases in custody and unit registry fees, business development expenses and legal, compliance & other professional expenses.
- ◆ Profit after tax up 14%.
- ◆ Earnings per share up 14%.
- ◆ Final dividend of 12cps fully franked (~ 5.9% annualised yield\*).



# Investment Performance

to 31 January 2021

Performance of Platinum Trust Funds (31 January 2021)		Quarter	1 year p.a.	5 year p.a.	10 year p.a.	Since inception p.a.	FuM (A\$b)
<b>International Fund</b> (PMs: AC, CS)	- Absolute Return	11.8%	4.8%	8.6%	9.3%	11.9%	8.5
	- Relative Return	4.7%	2.7%	(3.1%)	(2.5%)	4.7%	
<b>Asia Fund</b> (PMs: AC)	- Absolute Return	10.1%	34.8%	15.6%	11.9%	15.2%	5.6
	- Relative Return	0.2%	16.0%	1.1%	2.0%	4.5%	
<b>Japan Fund</b> (PM: SG)	- Absolute Return	8.7%	(3.9%)	8.1%	12.8%	13.5%	0.6
	- Relative Return	2.6%	(4.2%)	(0.4%)	3.6%	10.2%	
<b>European Fund</b> (PM: ND)	- Absolute Return	15.8%	(6.4%)	7.7%	9.4%	10.8%	0.5
	- Relative Return	4.9%	1.2%	1.5%	2.2%	7.8%	
<b>Brands Fund</b> (PM: JH)	- Absolute Return	18.1%	22.6%	14.9%	12.0%	12.8%	0.6
	- Relative Return	11.0%	20.5%	3.2%	0.2%	8.9%	
<b>Health Care Fund</b> (PM: BO)	- Absolute Return	24.2%	34.1%	18.3%	18.6%	11.7%	0.5
	- Relative Return	20.0%	31.4%	8.2%	2.2%	2.3%	
<b>Unhedged Fund (long only)</b> (PM: CS)	- Absolute Return	16.9%	3.1%	11.0%	10.4%	10.6%	0.2
	- Relative Return	9.8%	1.0%	(0.7%)	(1.4%)	3.0%	
<b>Technology Fund</b> (PMs: AB, CR)	- Absolute Return	11.4%	25.0%	15.8%	12.8%	10.5%	0.2
	- Relative Return	0.9%	1.1%	(9.9%)	(8.1%)	6.8%	
						<b>Subtotal (A\$b)</b>	<b>16.7</b>
						<b>% of Total FuM</b>	<b>70%</b>

Portfolio Managers:

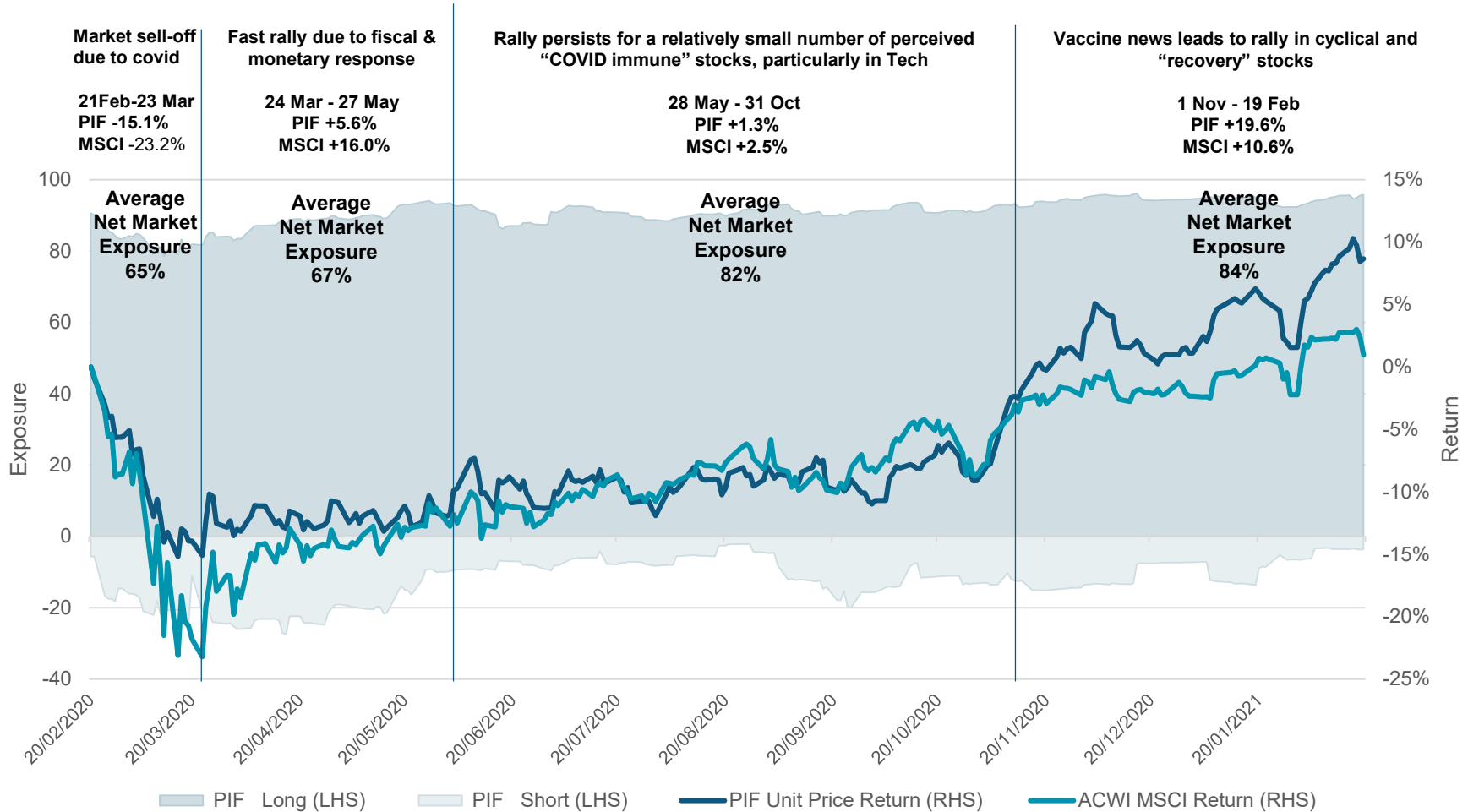
AC = Andrew Clifford, CS=Clay Smolinski, JH=Jamie Halse, SG=Scott Gilchrist, ND= Nik Dvornak, BO = Bianca Ogden,  
AB = Alessandro Barbi, CR = Cameron Robertson

Source: Platinum Investment Management Limited. Fund returns (except for the quarter) 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. Fund returns are net of accrued fees and costs, pre-tax, and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. Relative returns represent the returns of the relevant fund relative to the fund's nominated index as stated in the latest Platinum Trust Product Disclosure Statement.



# An extraordinary period for equity markets

Performance from the previous peak (21 Feb 2020) to 19 Feb 2021: PIF +8.7%, MSCI +0.9%



Source: Factset Research Systems and Platinum Investment Management Limited. PIF returns are calculated using the Platinum International Fund NAV unit price for C Class and represent the combined income and capital returns over the specified periods. PIF returns are net of accrued fees and costs, pre-tax, and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. MSCI returns are the returns of the MSCI AC World Net Index (\$A).



## Where we are today

The global economic recovery continues...

...aided by vaccine roll-outs and further fiscal stimulus.































Shortages in both commodity markets and manufacturing supply chains may lead to an inflation scare...

...yet markets continue to broaden, with more “cyclical” areas showing strong performance.



# Platinum International Fund

Portfolio snapshot

Semiconductors	Travel	Electric Vehicles	Industrials
    	   	   	   
Pharma/biotech	Chinese insurance	Financials	Chinese consumer
  	   <small>中国人民保险集团公司 THE PEOPLES INSURANCE COMPANY (GROUP) OF CHINA</small>	   	  



# Investment Team Update

## ◆ Background

- ◆ Platinum has a deep bench of talent
- ◆ Platinum has, throughout its history, consistently promoted talent from within

## ◆ Recent changes

- ◆ Departure of senior Portfolio Manager (“PM”) for the Asia ex-Japan fund created new opportunities for emerging talent
- ◆ Announced appointments:
  - ◆ Appointment of Clay Smolinski to Co-Chief Investment Officer
  - ◆ Andrew Clifford and Cameron Robertson will co-manage Platinum’s Asia ex-Japan portfolios
  - ◆ Appointment of Nikola Dvornak alongside Andrew Clifford and Clay Smolinski to the global portfolios
- ◆ Discussions with clients and asset consultants have been constructive so far but can take time to conclude:
  - ◆ Zenith retained ratings
  - ◆ No significant outflows to date





# Business Development Update

## ◆ Australia and NZ

- ◆ Strong adviser engagement and continued participation in industry events albeit virtually.
- ◆ Development and distribution of content for clients (various channels such as Livewire, Morningstar etc).
- ◆ Advertising campaigns across print, digital, signage and social media.
- ◆ Active product enhancement pipeline, some (modest) announcements coming soon!
- ◆ New, senior hire in ESG to support investment team and client engagement. UN PRI signatory January 2021.

## ◆ Offshore

- ◆ Seeded two Cayman funds for US market.
- ◆ Continuing to add access to new offshore jurisdictions for UCITS funds.
- ◆ Continued client engagement in a virtual world.

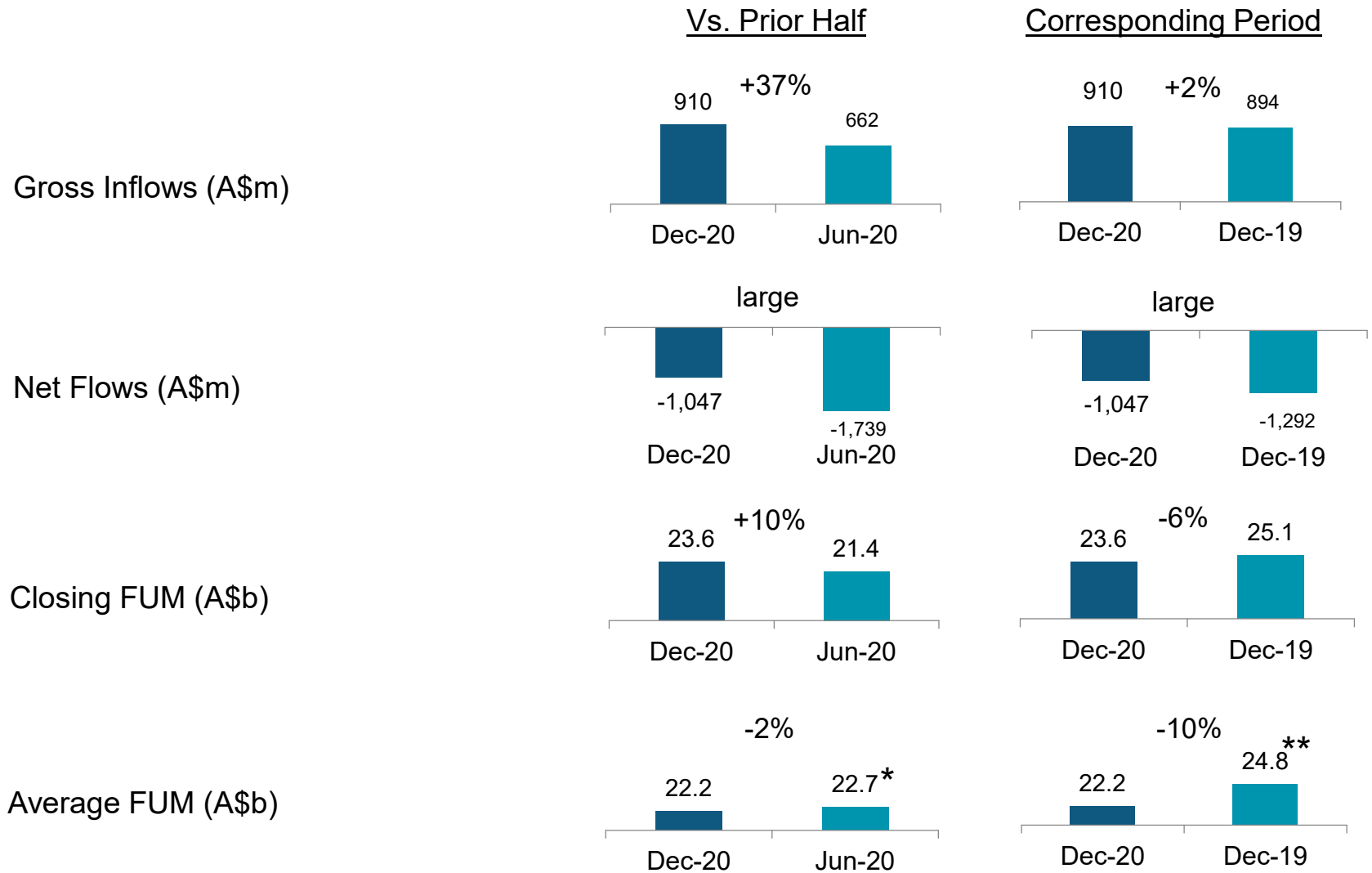


# Looking ahead

- ◆ **The performance of Platinum International Fund and Platinum Asia Fund was above the respective benchmarks for the 3, 6 and 12 months to 31 January 2021.**
- ◆ **Strong relative and absolute performance in most portfolios during the half-year.**
- ◆ **The business remains resilient and well placed for future growth...**
  - Strong position in Australian retail market. Highly differentiated products.
  - Desire for higher international equity exposure continues to increase in Australia.
  - Offshore initiatives provide a platform for growth over the medium term.
  - Profitable and scalable business with strong dividend capacity and an unlevered balance sheet.
  - Continuing to seek opportunities to expand client access via product innovation and new markets.
- ◆ **...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 6 month period. Jun-20 FUM excludes impact of annual distributions.

\*\* Monthly average for the 6 month period.



# Flows

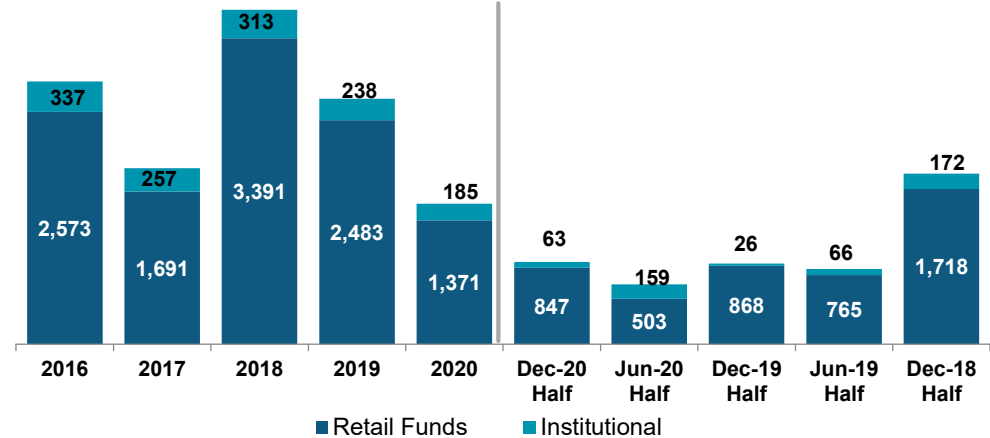
## Gross In flows

- ◆ Inflows for the 6 months to 31 Dec-20 were \$910m, consistent the 6 months to 31 Dec-19.
- ◆ Inflows slowly recovered in the second half as market sentiment and performance improved.

## Net Flows

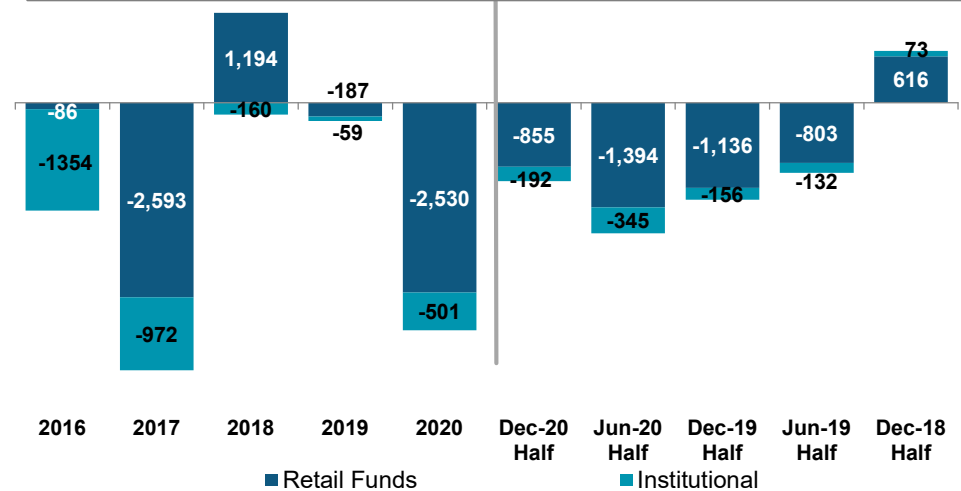
- ◆ Net outflows of \$1.0b in the Dec-20 Half
- ◆ Outflows have slowed when compared to both Jun-20 Half and Dec-19 Half.
- ◆ Net outflows were concentrated in the flagship products.
- ◆ Institutional fund outflows of -\$192m in the Dec-20 Half was spread across accounts and, in the case of Asia strategies, largely reflected rebalancing after strong performance. No mandates were lost in the period.

Annual gross flows (A\$m)



Semi-annual gross flows (A\$m)

Net flows	
-1440	-3565
1034	-246
-3031	-1047
-1739	-1292
-935	689

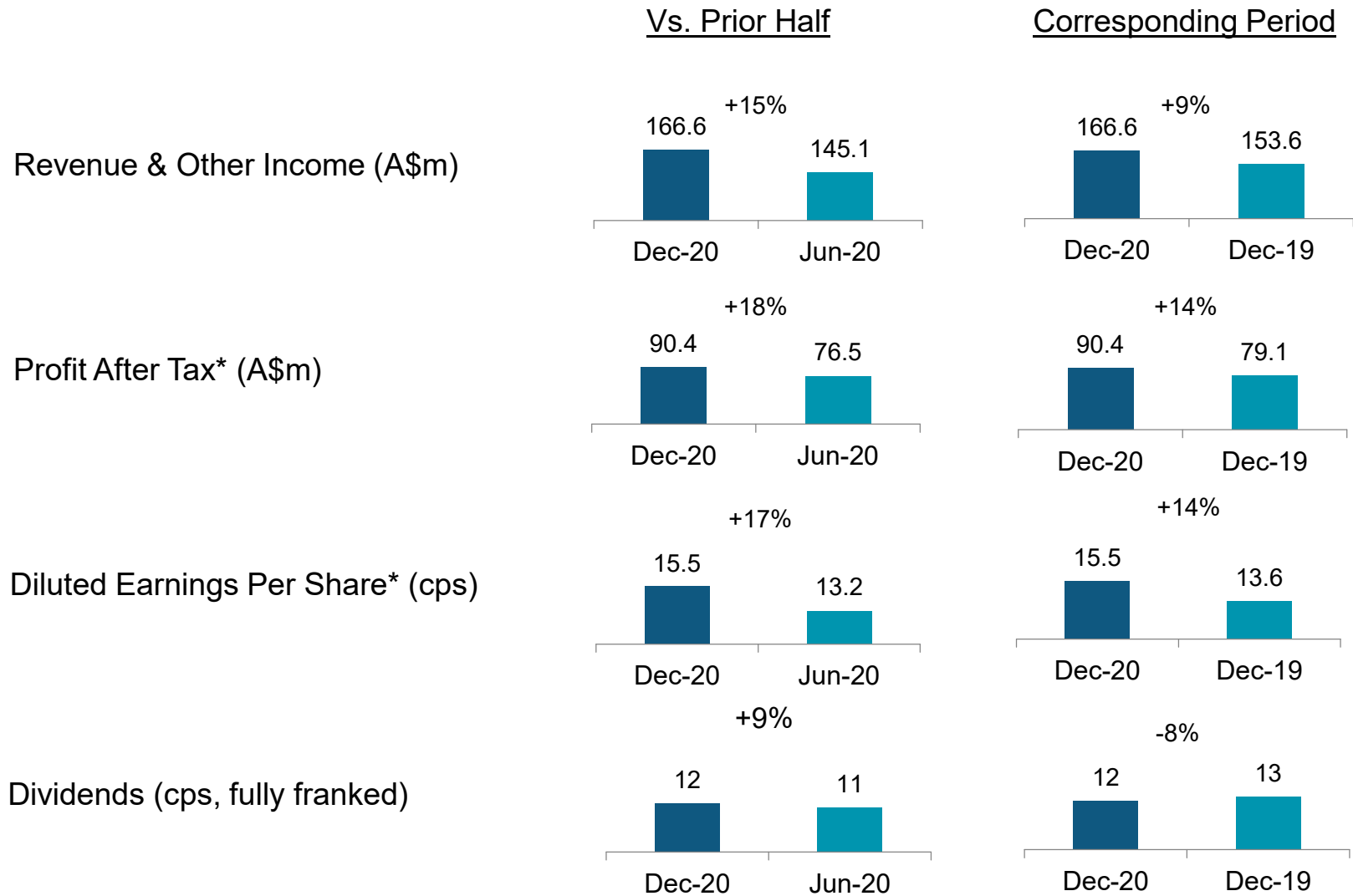


Annual net flows (A\$m)

Semi-annual net flows (A\$m)



# Operating Results



Source: Platinum.

13 \* Profit after tax and EPS attributable to owners.



# Revenue Analysis

As at 31 December 2020

	DEC-20 (\$M)	JUN-20 H (\$M)	VAR. (\$M)	DEC-19H (\$M)	VAR. (\$M)	COMMENT
Average FuM (\$B)*	22.2	22.7	-0.5	24.8	-2.6	
Average Fee**(bps)	115	116	-1	115	-	Stable fee bps
Management fees	127.3	131	-3.7	144.9	-17.6	Reflects decrease in average FuM
Performance fees	3.7	9.1	-5.4	0.0	3.7	Primarily from Asia Ex-Japan portfolios
<b>Sub-Total: Fee Revenue</b>	<b>131.0</b>	<b>140.1</b>	<b>-9.1</b>	<b>144.9</b>	<b>-13.9</b>	
Interest income	0.3	0.6	-0.3	1.1	-0.8	Lower interest rates
Gain on PAI holding	4.8	1.6	3.2	1.5	3.3	\$3.9m equity accounted gain and \$0.9m dividend received.
Gain/(loss) on UCITS holding	16.7	(1.9)	18.6	4.5	12.2	Strong returns in all UCITS strategies
Gain/(loss) on PAXX	5.2	1.2	4.0	1.6	3.6	
Cayman funds and Platinum trusts holdings	9.4	2.0	7.4	-	9.4	Primarily Cayman funds (Global & Asia ex-Japan)
FX gains	(0.8)	1.5	(2.3)	0.0	(0.8)	
<b>Sub-Total: Other Income</b>	<b>35.6</b>	<b>5.0</b>	<b>30.6</b>	<b>8.7</b>	<b>26.9</b>	
<b>Total Revenue</b>	<b>166.6</b>	<b>145.1</b>	<b>21.5</b>	<b>153.6</b>	<b>13</b>	

Source: Platinum.

\* Average FUM excludes impact of annual distributions.

\*\* Annualised average management fee, excluding performance fees.



# Expense Analysis

As at 31 December 2020

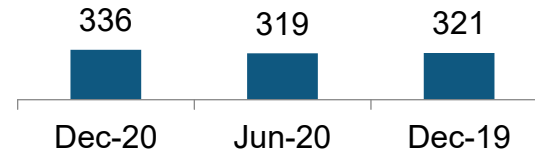
	DEC-20 (\$M)	DEC-19 (\$M)	\$ VAR. (\$M)	% VAR.	COMMENT
Staff costs	20.4	20.1	+0.3	+1.5%	
Other expenses	16.9	20.5	-3.6	-18%	
<b>Total Expenses</b>	<b>37.3</b>	<b>40.6</b>	<b>-3.3</b>	<b>-8%</b>	
<u>Depreciation, amortisation and non recurring item</u>					
Depreciation of fixed assets	0.6	1.2	-0.6		Dec19 included once off fit-out depreciation adjustment
Amortization of Deferred Awards	1.8	2.5	-0.7		Reduced amortization of deferred awards due to some rights being forfeited during the period
Legal costs re Trademark case	-	0.4	-0.4		Trademark case was successfully closed in FY 2020
<b>Total Underlying Expenses*</b>	<b>34.9</b>	<b>36.5</b>	<b>-1.6</b>	<b>-4%</b>	



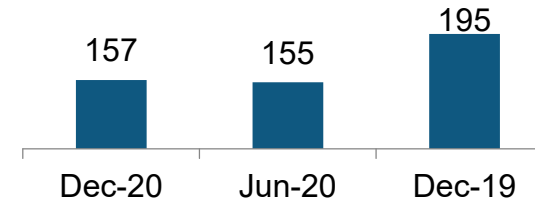
# Strong Balance Sheet

As at 31 December 2020

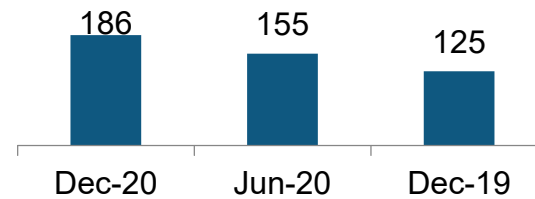
Net Assets\* (A\$m)



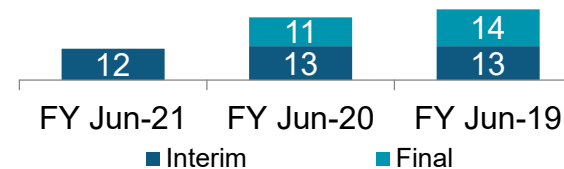
Cash & Term Deposits (A\$m)



Seed Investments\*\* (A\$m)



Dividends (cps)





# Questions



# Appendices



# Appendix 1:

## Detailed Operating Results

(\$M)	Dec-20H	Jun-20H	% CHANGE	Dec-20H	Dec-19H	% CHANGE
Management fees	127.3	131.0	-2.8%	127.3	144.9	-12.1%
Performance fees	3.7	9.1	Large	3.7	0.0	Large
Interest income	0.3	0.6	-50.0%	0.3	1.1	-72.7%
Net gains/(losses) on seed investments, FX and other income	35.3	4.4	Large	35.3	7.6	Large
<b>Total revenue</b>	<b>166.6</b>	<b>145.1</b>	<b>+14.8%</b>	<b>166.6</b>	<b>153.6</b>	<b>+8.5%</b>
Staff costs incl. share-based payments	22.3	21.5	+3.7%	22.3	22.5	-0.9%
Custody and unit registry costs	5.1	5.1	Flat	5.1	6.2	17.7%
Business development costs	2.6	3.3	-21.2%	2.6	3.3	-21.2%
Technology, research & data	2.6	2.6	Flat	2.6	2.7	-3.7%
Other costs	4.7	4.8	-2.1%	4.7	5.9	-20.3%
<b>Total costs</b>	<b>37.3</b>	<b>37.3</b>	<b>Flat</b>	<b>37.3</b>	<b>40.6</b>	<b>-8.1%</b>
<b>Pre-tax profit</b>	<b>129.3</b>	<b>107.8</b>	<b>+19.9%</b>	<b>129.3</b>	<b>113.0</b>	<b>+14.4%</b>
<b>Income tax expense</b>	<b>38.9</b>	<b>31.3</b>	<b>+24.3%</b>	<b>38.9</b>	<b>33.9</b>	<b>+14.7%</b>
<b>Net profit after tax</b>	<b>90.4</b>	<b>76.5</b>	<b>+18.2%</b>	<b>90.4</b>	<b>79.1</b>	<b>+14.3%</b>
<b>Total comprehensive income</b>	<b>82.5</b>	<b>76.5</b>	<b>+7.8%</b>	<b>82.5</b>	<b>79.1</b>	<b>+4.3%</b>
<b>Diluted EPS (c)</b>	<b>15.5</b>	<b>13.2</b>	<b>+17.4%</b>	<b>15.5</b>	<b>13.6</b>	<b>+14.0%</b>
<b>Average FUM (\$b)</b>	<b>22.2</b>	<b>22.7</b>	<b>-2.2%</b>	<b>22.2</b>	<b>24.8</b>	<b>-10.5%</b>
Total no. of shares – issued (m)	586.7	586.7	-	586.7	586.7	-



# Appendix 2

Funds under Management: Half-Year to 31 December 2020, A\$m

FUNDS	OPENING BALANCE (1 JUL 2020)	NET FLOWS	DISTRIBUTIONS & OTHER <sup>3</sup>	INVESTMENT PERFORMANCE	CLOSING BALANCE (31 DEC 2020)	% OF TOTAL
<b>Retail Funds</b>						
Platinum Trust Funds and Platinum Global Fund <sup>1</sup>	13,241	(756)	-	1,994	14,479	61%
Platinum Quoted Managed Funds – PIXX and PAXX	453	(13)	-	71	511	2%
Platinum Listed Investment Companies – PMC and PAI	837	-	(29)	140	948	4%
MLC Platinum Global Fund	656	(56)	-	101	701	3%
<b>Institutional Clients</b>						
Management Fee Mandates	2,144	(117)	-	323	2,350	10%
UCITS Platinum World Portfolios plc	448	(31)	-	77	494	2%
Platinum Opportunities Funds (Cayman domiciled)	30	-	-	5	35	0%
'Relative' Performance Fee <sup>2</sup>	3,224	(13)	-	506	3,717	16%
'Absolute' Performance Fee	352	(32)	-	43	363	2%
<b>TOTAL</b>	<b>21,385</b>	<b>(1,018)</b>	<b>(29)</b>	<b>3,260</b>	<b>23,598</b>	<b>100%</b>

<sup>1</sup> FuM closing balance excludes QMFs but includes retail performance fee class totalling \$55m. FuM excludes \$1.7b attributable to institutional investors in the Platinum Trust Funds that have elected a performance fee option.

<sup>2</sup> FuM closing balance includes Platinum Trust Fund institutional performance fee clients of \$1.7b and mandates of \$2b attributable to institutional investors.

<sup>3</sup> "Other" includes dividends and tax payments made by the listed investment companies.



# Appendix 3

## Segment Analysis: As at 31 Dec 2020

<b>FUNDS MANAGEMENT</b>	<b>DEC-20 (\$M)</b>	<b>DEC-19 (\$M)</b>	<b>% VAR</b>
Fee Revenue	131.0	144.9	(9.6%)
Other Revenue	-	0.3	Large
<b>Total Revenue</b>	<b>131.0</b>	<b>145.2</b>	<b>(9.8%)</b>
Expenses	(37.1)	(40.5)	(8.4%)
<b>Profit Before Tax</b>	<b>93.9</b>	<b>104.7</b>	<b>(10.3%)</b>
Income Tax Expense	(27.4)	(31.6)	(13.3%)
Other comprehensive income	-	-	
<b>Profit After Tax attributable to owners</b>	<b>66.5</b>	<b>73.1</b>	<b>(9.0%)</b>
<b>Average FuM</b>	<b>22,241</b>	<b>24,803</b>	<b>(10.3%)</b>

<b>INVESTMENTS AND OTHER</b>	<b>DEC-20 (\$M)</b>	<b>DEC-19 (\$M)</b>	<b>% VAR</b>
Fee Revenue	-	-	-
Other Revenue	35.6	8.4	(large)
<b>Total Revenue</b>	<b>35.6</b>	<b>8.4</b>	<b>(large)</b>
Expenses	(0.2)	(0.1)	(large)
<b>Profit Before Tax</b>	<b>35.4</b>	<b>8.3</b>	<b>(large)</b>
Income Tax Expense	(11.5)	(2.3)	(large)
Other comprehensive income	(7.9)	-	(large)
<b>Profit After Tax attributable to owners</b>	<b>16.0</b>	<b>6.0</b>	<b>(large)</b>
<b>Segment Net Assets</b>	<b>283.8</b>	<b>304.2</b>	<b>(6.7%)</b>

- ◆ Funds management revenue was down 9.6% year-on-year. Funds management segment expenses down 8.4% due to decreases in costs such as custody fees and share-based payments expense.
- ◆ Investments recorded a gain for the year, primarily reflecting the mark to market gains made by seed investments.



# Appendix 4

## Expense Analysis: as at 31 Dec 2020

	DEC-20 H (\$M)	JUN-20 H (\$M)	\$ VAR. (\$M)	DEC-20 H (\$M)	DEC-19 H (\$M)	\$ VAR. (\$M)	COMMENT
Staff costs	13.1	12.0	+1.1	13.1	13.0	+0.1	Consistent with Dec-19
Variable remuneration <sup>(1)</sup> , incl. share-based payments expense	9.1	9.5	-0.4	9.1	9.5	-0.4	See below.
Custody and unit registry costs	5.1	5.1	Flat	5.1	6.2	-1.1	Decrease in custody fees from March 2020.
Business development costs	2.6	3.3	-0.7	2.6	3.3	-0.7	Activities such as travel decreased in 2020.
Technology, research & data	2.6	2.6	Flat	2.6	2.7	-0.1	Largely flat.
Occupancy costs**	2.0	2.0	Flat	2.0	2.5	-0.5	Decreased expenses due to once off office fit-out spending in Dec 19.
Other costs	3.6	2.8	+0.8	3.6	3.4	+0.2	
<b>Total Expenses</b>	<b>37.3</b>	<b>37.3</b>	<b>Flat</b>	<b>37.3</b>	<b>40.6</b>	<b>-3.3</b>	As above.

(1) Cash Variable Remuneration – Performance driver	Dec-20	Jun-20	Dec-19
Weighted Average 1 and 3 year investment performance*	-1.4%	-3.4%	-3.7%

\* The Jun-20 figure represents investment performance for the 1 and 3 years ended 31 March 2020, which provided the basis for annual analyst and profit share plan variable remuneration awards. The Dec-20 and Dec-19 figures represent weighted average performance for the 9 months and 33 months ended December 2020. This drives the half year analyst and profit share plan variable remuneration accruals.



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