

Platinum Asset Management Limited

Kerr Neilson, Managing Director

**Analyst Briefing
24 February 2017**

6 months to December 2016: Highlights

- Improved investment performance for the first half. Validation of both process and research quality. Continued strengthening of in-house capabilities.
- Closing Dec-16 AuM of 23.2B, up 2% on June 2016, down 13% on Dec-15.
- Net Outflows of \$1.7B adversely affected by a handful of large account outflows. Core retail investor base remains resilient.
- Encouraging progress on European based “UCITS” initiative, with over US\$100m raised to Jan-17. However, long lead times for this to become a meaningful contributor to group profits.
- Costs controlled, with non-people expenses down 15% on Dec-15 and a total cost to income ratio of 15%.
- Earnings per share up 18% on Jun-16 half, although 20% down on prior year.
- Interim fully franked dividend of 15 cps (~ 6% yield).

Investment Performance

(to 31 Dec 2016)

Improved performance across most services in last 6 months, especially sector funds. Long-term performance also remains compelling across all services.

Performance of major Platinum Funds (Dec-16)	6 months	1 year	5 year	10 year	Since Inception	FuM (A\$b)
International Fund						10.3
- Absolute Return	10.8%	4.6%	15.8%	7.1%	12.6%	
- Relative Return	+1.2%	-3.8%	-1.4%	+2.7%	+6.2%	
Asia Fund						4.1
- Absolute Return	4.6%	0.3%	14.5%	7.9%	14.5%	
- Relative Return	-1.5%	-5.6%	+2.1%	+3.3%	+4.9%	
International Brands Fund						1.0
- Absolute Return	10.1%	9.4%	14.4%	8.7%	12.3%	
- Relative Return	+0.5%	+1.0%	-2.8%	+4.3%	+10.2%	
Japan Fund						0.6
- Absolute Return	17.4%	11.5%	25.4%	9.3%	15.1%	
- Relative Return	+5.9%	+8.6%	+9.4%	+7.9%	+12.9%	
European Fund						0.4
- Absolute Return	14.5%	5.8%	17.9%	7.2%	11.6%	
- Relative Return	+6.2%	+5.0%	+4.4%	+6.2%	+9.3%	
Health Care Fund						0.2
- Absolute Return	7.3%	-0.4%	19.9%	10.0%	9.1%	
- Relative Return	+10.0%	+6.0%	-1.6%	+1.6%	+0.8%	
					Subtotal (A\$b)	16.6
					% of Total AuM	72%

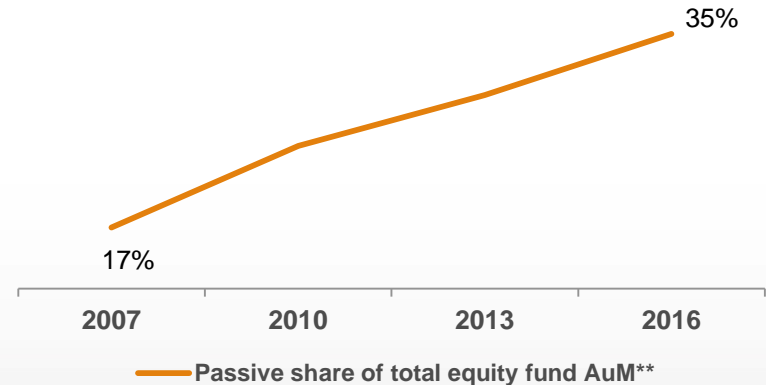
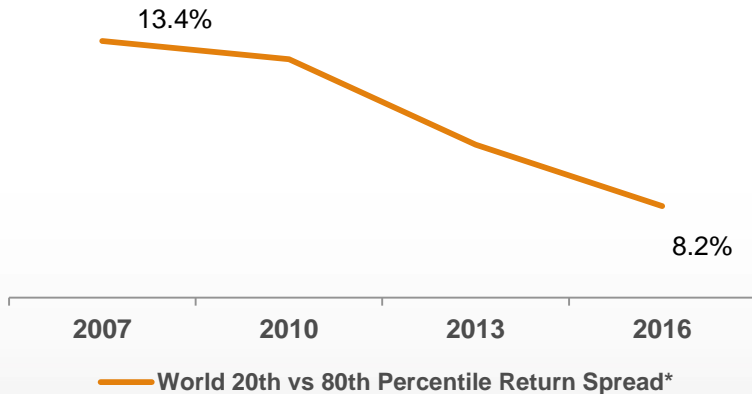
Source: Platinum Investment Management Limited
 Relative returns are calculated relative to the relevant MSCI Index as stated in the Funds' Product Disclosure Statement

Key Industry Themes

A tough bull market so far for active managers, emerging markets and value investing!

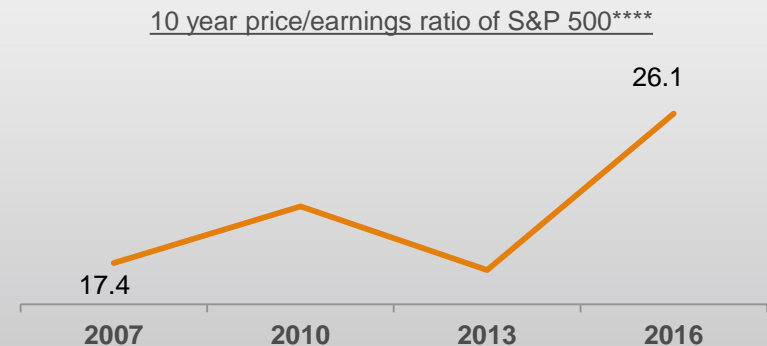
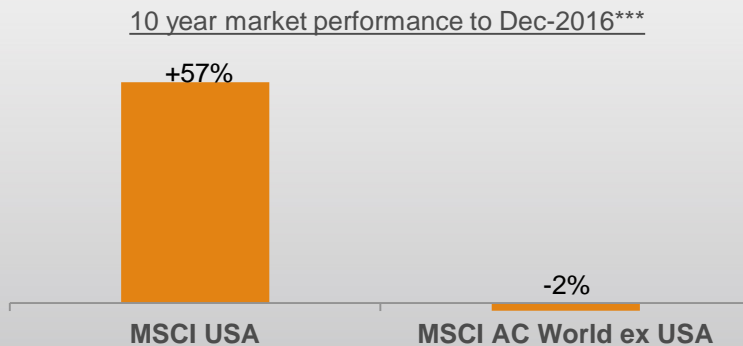
Dispersion has hit all time lows ...

...making it harder to justify active management.



US market has dominated RoW...

...even as US stocks became ever more expensive.

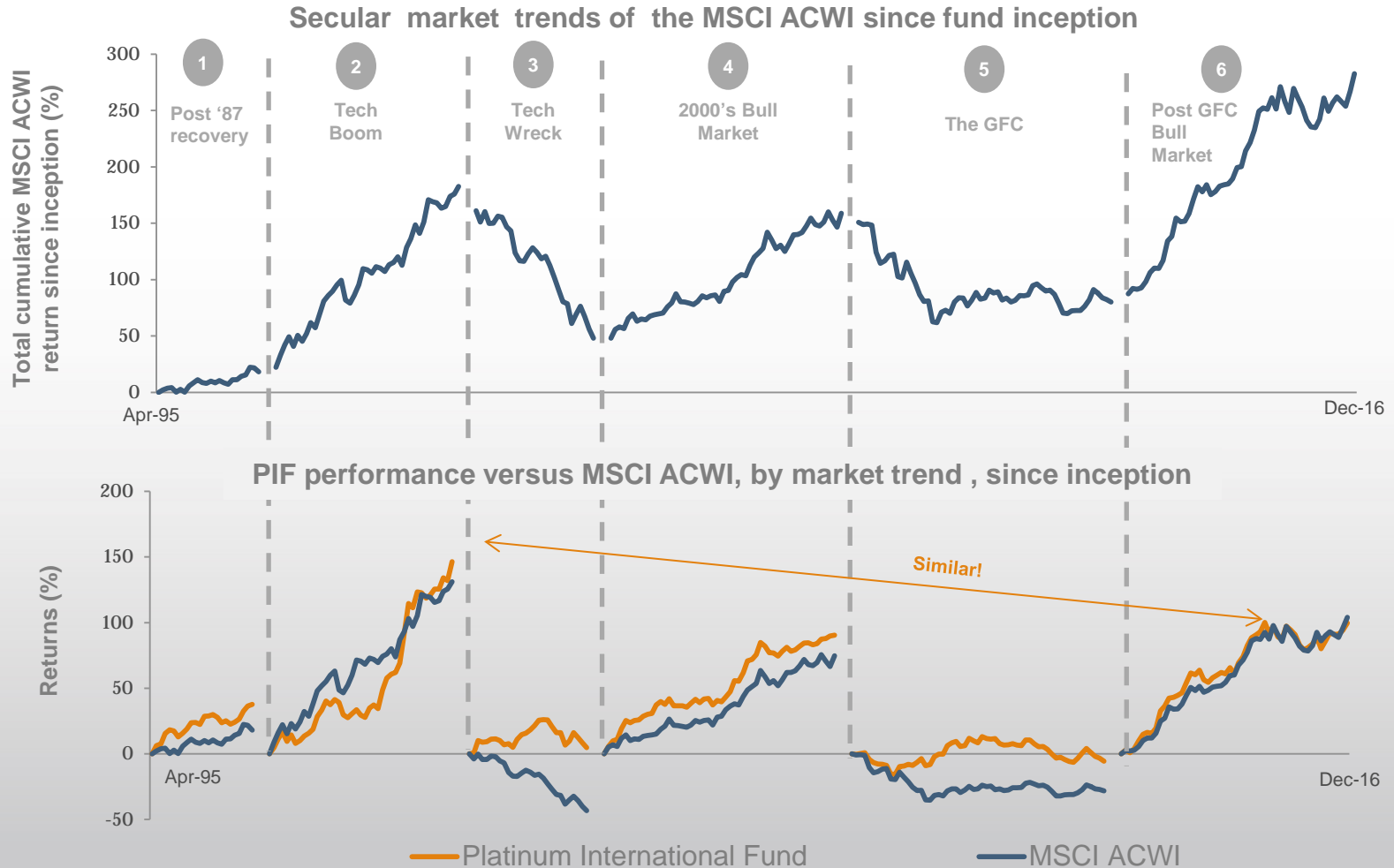


Sources: * The reward for picking best performing 20% versus worst 20% of stocks. Source: BofA Merrill Lynch, as at September each year.

** EPFR Global, ICI, Bernstein analysis *** RIMES Technologies **** Unadjusted P/E ratio. Schiller, Yale University

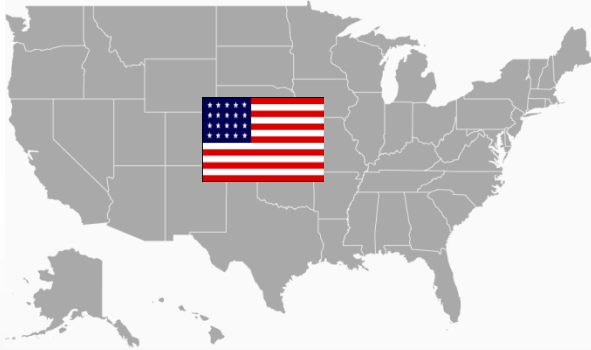
Platinum International Fund

Investment Performance has kept up with the index during the latest Bull market



Portfolio Positioning: Where we are...

Funds should be well positioned to benefit from several key themes and sectors.



Key Themes

Dangerous extrapolation of corporate profits: 21% long/5% net exposure

Exaggerated Demise: Europe & Japan

Underappreciated Growth: China consumer & Indian Infrastructure

Key Sectors

Tech Innovators: eg Alphabet, PayPal
Tech backbone: eg Intel, Cisco, Oracle
Stock Specific: eg Gilead, TechnipFMC

Banks: eg Lloyds, Mediobanca
Pharma: eg Sanofi, Astra Zeneca

China Consumers
Indian Infrastructure
Korea Tech, Japan self-help

Source: Platinum Investment Management Limited. The long % represents the Platinum International Fund exposure at 31 December 2016 to physical holdings, corporate fixed income securities and long stock derivatives as a % of NAV. The net exposure represents the exposure of physical holdings and both long and short derivatives.

...where we are not...

Funds with large allocations to the US market are participating in an increasingly crowded trade.

Competitor International Equity Funds
As at December 2016



UCITS Fund Update: The first year

Marketing Update

Focus on clients/consultants that know our story

- Private Banks & small Institutions
- HNW Private client firms
- Government/Semi-Government

Initial feedback has been encouraging...

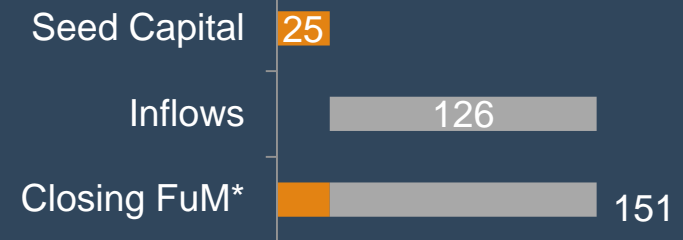
- Key differentiators
 - 20 year track history, both in Australia and US
 - Consistency of both process and team
 - Absolute return focus
 - Proximity to Asia / Japan
 - Proven record

...but it will take time

- ATO IMR rules are welcome, but new
- 3-5 years estimated to build
- Client service and support from Sydney
 - √ = connection to investment team & culture
 - x = connection to clients and market
- Investment performance still ultimately drives flows

FuM Growth since inception

(US\$m)

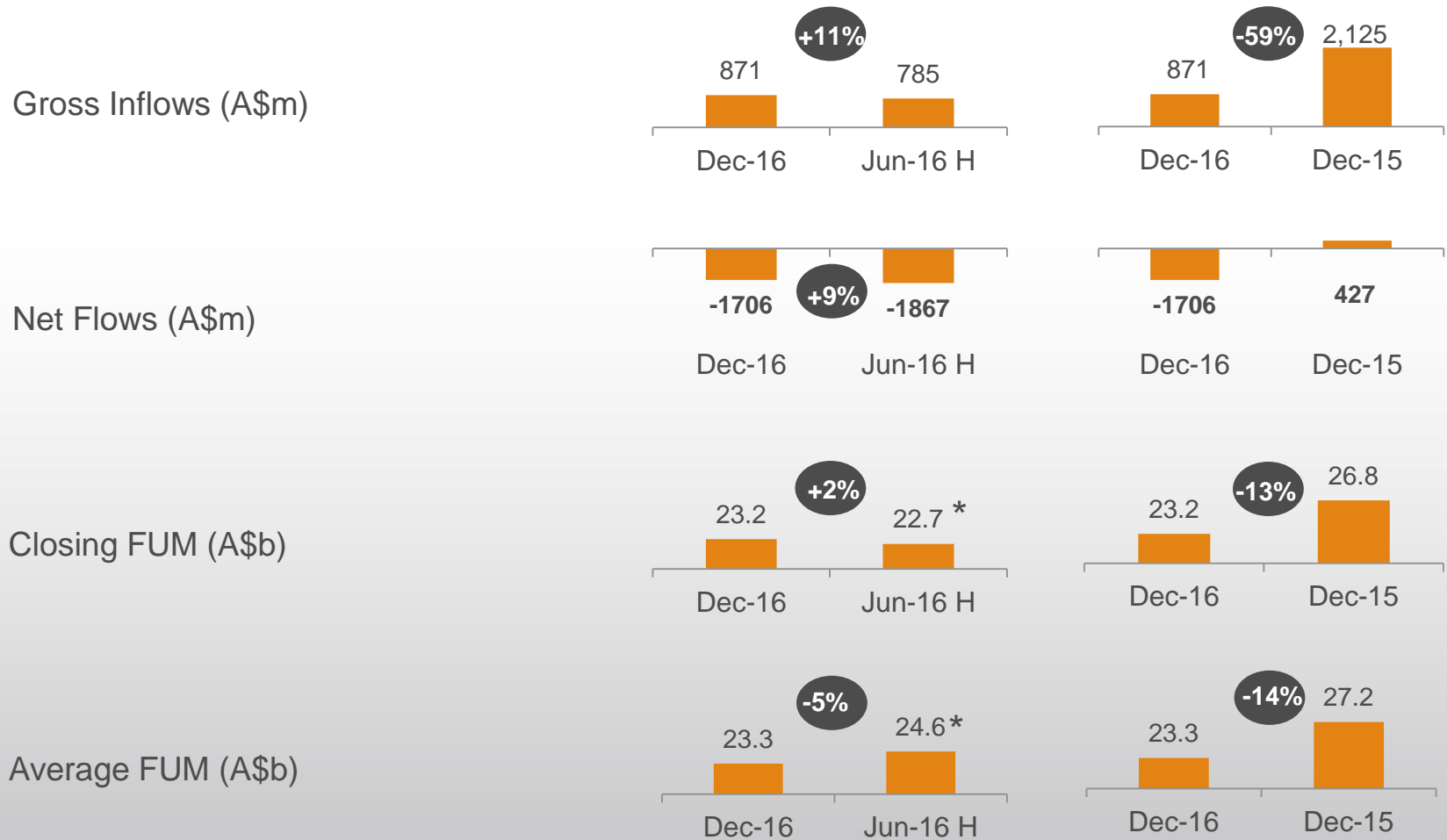


- 6 prospecting trips to Eurozone/Asia
- 100+ meetings
- 10 new clients, US\$126m in new FuM
- 80% Institutional (2 clients)
- Fund registrations in
 - Ireland
 - UK
 - Switzerland
 - Singapore (in progress)

Outlook

1. Well positioned in Australian retail market. Style differentiation really matters.
2. Consistent investment process and high research quality generating large idea base.
3. Benchmark agnostic – long term value proposition.
4. A\$ volatility desire for higher foreign equity exposure increasing.
5. Global growth should widen stock dispersion window.

Flows & Funds Under Management: 6 months to Dec-16



Source: Platinum Asset Management Limited

* For the 6 month period. Excludes June distribution of A\$0.9bn

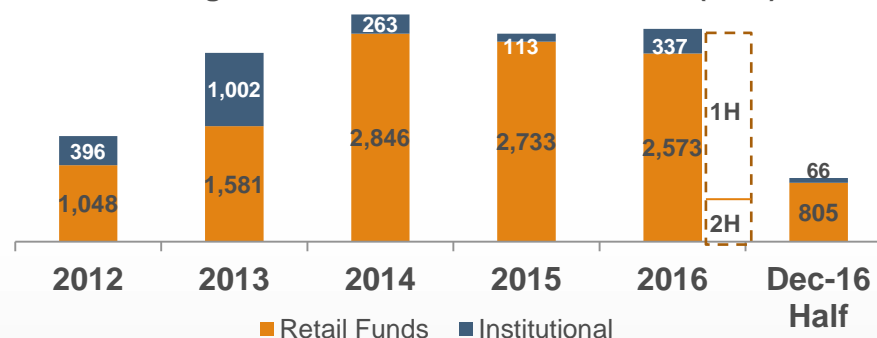
Flows: 6 months to Dec-16

(\$mn)

Gross Flows

- Gross flows for the 6 months to Dec-16 were slightly improved on the prior June half but significantly down on Dec-15
- Gross flows in Dec-15 half included the PAIL IPO (+\$263m) and large institutional inflows (+\$337m).
- Improving relative performance and increased market volatility (post Trump) were both positives for advisor sentiment

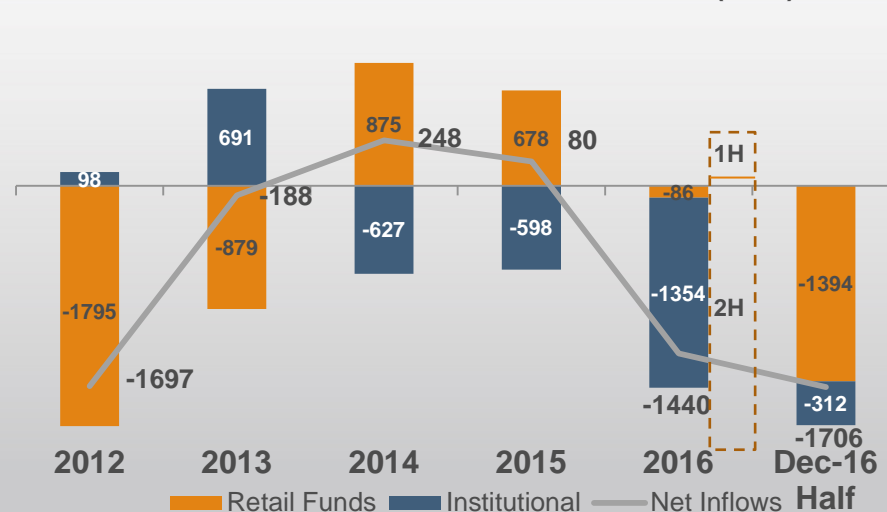
Annual gross flows 2012-2016 & 31 Dec 16 (A\$m)



Net Flows

- 9% reduction in net out-flows during the 6 months to Dec-16
- PT Funds outflow of \$1.318b, split 42% large direct accounts (>\$5m) and 58% Platform and direct accounts (<\$5m).
- Large accounts are 17% of the PT Funds FUM. Outflows tend to be episodic and sometimes unrelated to performance (eg HNWI).
- Institutional net outflows were concentrated, with two “performance fee” client terminations within PT Funds.

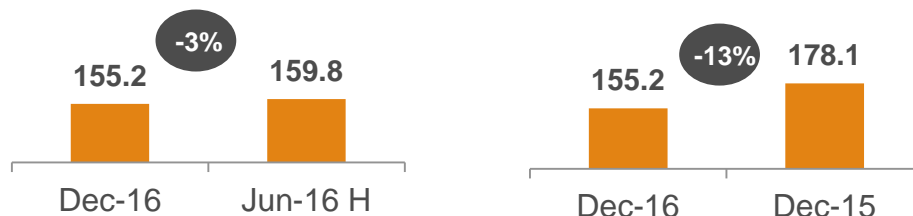
Annual net flows 2012-2016 & 31 Dec 16 (A\$m)



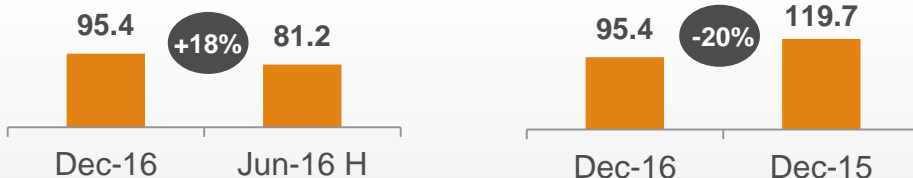
Notes: “Retail Funds” includes Platinum Trust Funds, Platinum Global Fund, PAI LIC, PMC LIC, MLC Platinum Global Fund. “Institutional” includes performance fee clients within retail funds, mandates and US\$ products. (Year to June, unless otherwise stated)

Operating Results: 6 months to Dec-16

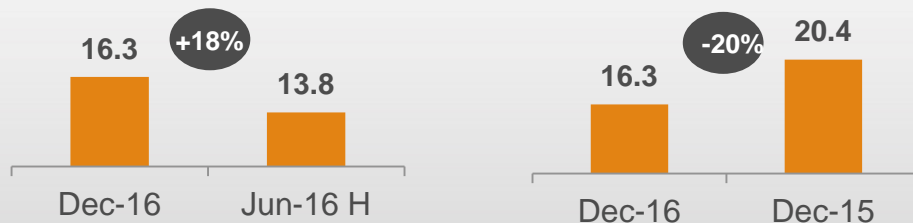
Fee Revenue (A\$m)



Profit After Tax* (A\$m)



Diluted Earnings Per Share* (cps)



Dividends (Interim, cps, fully franked)



Revenue Analysis

(as at 31 December 2016)

	DEC-16 (\$MN)	JUN-16 H (\$MN)	\$ VAR.	DEC-15 (\$MN)	\$ VAR.	COMMENT
Average FuM (\$B)	23.3	24.6	(1.3)	27.2	(3.9)	
Average Fee* (bps)	132	130	2	129	3	Small positive mix shift towards retail
Management and admin fees	154.3	159.7	(5.4)	175.6	(21.3)	Fall in-line with average FUM decline
Performance fees	0.9	0.1	0.8	2.5	(1.6)	
Sub-Total: Fee Revenue	155.2	159.8	(4.6)	178.1	(22.9)	
Interest income	1.8	1.9	(0.1)	2.2	(0.4)	Lower interest rates and reduced cash balance (\$85.2M used to seed PAIL and UCITS)
Gain/(Loss) on PAIL	1.3	(6.4)	7.7	4.9	(3.6)	\$1.3m comprises \$0.5m loss on options set off against \$1.8M equity accounted gain
Gain/(loss) on UCITS	3.4	(0.8)	4.2	-0.1	3.5	Unrealised mark-to-market gain
FX gains	0.1	(2.5)	2.6	7.6	(7.5)	US\$ investment now closed
Sub-Total: Other Income	6.6	(7.8)	14.4	14.6	(8.0)	
Total Revenue	161.8	152.0	9.8	192.7	(30.9)	

Expense Analysis

(as at 31 December 2016)

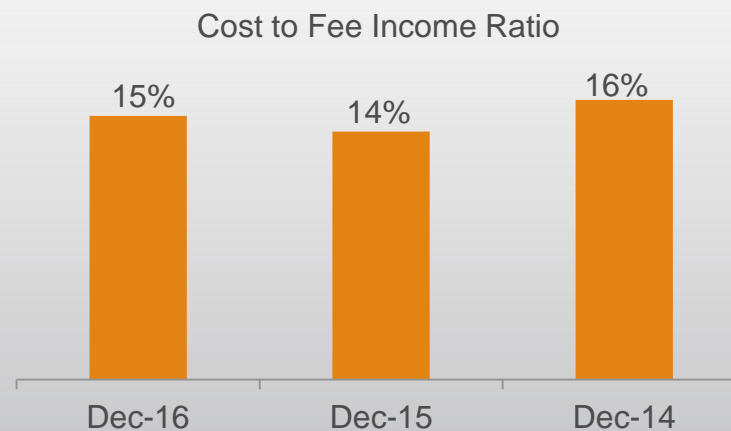
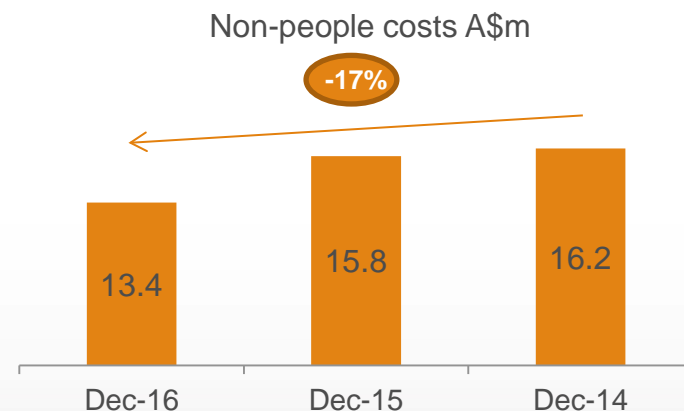
	DEC-16 (\$MN)	JUN-16 H (\$MN)	\$ VAR.	DEC-15 (\$MN)	\$ VAR.	COMMENT
Staff costs, incl. share based payments expense (1)	10.1	22.0	(11.9)	9.0	1.1	Jun-16 var: incentive compensation , salary increases Dec-15 var: salary increases, new hires
Custody, administration, trustee and unit registry costs	5.9	6.8	(0.9)	7.4	(1.5)	Reduced custody and unit registry rates.
Business development costs	2.0	2.8	(0.8)	3.0	(1.0)	Less advertising as new website being built
Research	0.9	0.9	-	1.2	(0.3)	Dec-15 var: lower overseas analyst travel partly offset by lower data research charges
Other costs	4.6	5.2	(0.6)	4.2	0.4	Jun-16 var: extra costs associated with establishing PAI and UCIT's funds
Total Expenses	23.5	37.7	(14.2)	24.8	(1.3)	

(1) Accounting for the Deferred Bonus Plan

- \$3.65m awarded in Jun-16, with the related annual expense totalling \$635k
- 4 year vesting period plus award year = 5 year amortisation period
- Expense is adjusted for an estimate of likely future experience
- Award is fully hedged via an Employee Share Trust. No future P&L impact of any gains/losses caused by share price variation

Ongoing commitment to cost control

- Non People costs have declined by \$2.8m (17%) since Dec-14
- Savings have been achieved from reduced registry/custody fees as well as continuous review of other line items.
- Lower advertising expenses (down \$1.0m v's Dec-15) reflect reduced print campaign costs. Online spend is increasing (Google spend up 21% vs Dec-15, up 93% since Dec-14). However, 2H-17 costs will likely be higher than 1H-17.
- Savings have been partially re-invested in growth opportunities
 - Increased advisor related travel
 - Website
 - New UCITS funds
 - New product development
- Overall cost/income ratio has been constrained within a narrow band



Segment Analysis

(as at 31 December 2016)

FUNDS MANAGEMENT	DEC-16 (\$MN)	DEC-15 (\$MN)	% VAR
Fee Revenue	155.1	178.1	(13%)
Other Revenue	0.2	0.2	-
Total Revenue	155.3	178.3	(13%)
Expenses	(23.2)	(24.7)	(6%)
Profit Before Tax	132.1	153.6	(14%)
Income Tax Expense	(39.0)	(44.2)	(12%)
Non controlling interest	-	-	-
Profit After Tax attributable to owners	93.1	109.4	(15%)
Average FuM	23,328	27,216	(14%)

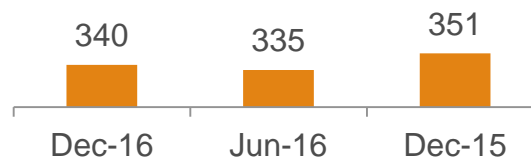
INVESTMENTS AND OTHER	DEC-16 (\$MN)	DEC-15 (\$MN)	% VAR
Fee Revenue	-	-	-
Other Revenue	6.5	14.4	(55%)
Total Revenue	6.5	14.4	(55%)
Expenses	(0.3)	(0.1)	(large)
Profit Before Tax	6.2	14.3	(57%)
Income Tax Expense	(1.7)	(4.0)	(58%)
Non controlling interest	(2.1)	-	(large)
Profit After Tax attributable to owners	2.4	10.3	(77%)
Net Assets	361.9	348.5	4%

- Funds Management revenue was down 13% year-on-year, in line with average Funds Under Management. Profits were down 15%.
- Profits from investments and other income were down 77% on Dec-15, almost entirely due to lower currency gains on US\$ denominated cash.

Strong Balance Sheet

(as at 31 December 2016)

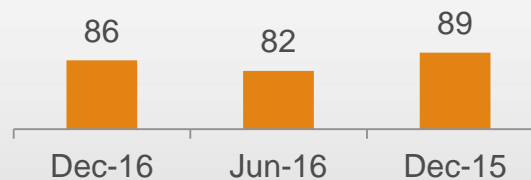
Net Assets* (A\$m)



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



Seed Investments (A\$m)



Dividends (cps)



* Net Assets attributable to owners

** Balance is stated after the deduction of Cash & Term Deposits related to PTM's non controlling interests in UCITS fund's.

Source: Platinum Asset Management Limited

Appendix 1: Funds Under Management

(\$mn, half year to 31 Dec 2016)

FUNDS	OPENING BALANCE (1 JUL 2016)	NET FLOWS	DISTRIBUTIONS	INVESTMENT PERFORMANCE	CLOSING BALANCE (31 DEC 2016)	% OF TOTAL
<u>Retail Funds</u>						
Platinum Trust Funds and Platinum Global Fund	16,539	(1,318)	-	1,528	16,749	72%
Platinum Listed Investment Company's – PMC and PAI	616	(16)		59	659	3%
MLC Platinum Global Fund	918	(60)		90	948	4%
<u>Institutional Funds</u>						
Management Fee Mandates	1,849	(63)		187	1,973	9%
'Relative' Performance Mandates ¹	2,218	(167)		264	2,315	10%
'Absolute' Performance Mandates	548	(82)		68	534	2%
TOTAL	22,688	(1,706)	-	2,196	23,178	100%

¹ Performance fee calculated to 31 December 2016 - all global mandates. The balances consist of PT Funds performance fee clients (\$108mn) and superannuation mandates (\$2.207bn).

Appendix 2: Detailed Operating Results

(\$M)	Dec-16	Jun-16 H	% CHANGE	Dec-16	Dec-15	% CHANGE
Management and admin fees	154.3	159.7	-3.4%	154.3	175.6	-12.1%
Performance fees	0.9	0.1		0.9	2.5	-64.0%
Interest income	1.8	1.9	-5.3%	1.8	2.2	-18.2%
Net gains/(losses) on FX, FA & other income	4.8	(9.7)		4.8	12.4	-61.3%
Total revenue	161.8	152.0	6.4%	161.8	192.7	-16.0%
Staff costs	9.8	22.0		9.8	9.0	+8.8%
Custody and unit registry costs	5.9	6.8	-13.2%	5.9	7.4	-20.3%
Business development costs	2.0	2.8	-28.6%	2.0	3.0	-33.3%
Research	0.9	0.9	-	0.9	1.2	-25.0%
Other costs	4.9	5.2	-5.8%	4.9	4.2	+16.7%
Total costs	23.5	37.7	-37.7%	23.5	24.8	-5.2%
Pre-tax profit	138.3	114.3	21.0%	138.3	167.9	-17.6%
Income tax expense	40.8	34.1	19.6%	40.8	48.2	-15.3%
Net profit after tax	97.5	80.2	21.6%	97.5	119.7	-18.5%
Net profit after tax attributable to owners	95.4	81.2	17.5%	95.4	119.7	-20.3%
Diluted EPS (c)	16.3	13.8	18.1%	16.3	20.4	-20.0%
Average FUM (\$b)	23.3	24.6	-5.3%	23.3	27.2	-14.2%
Total no. of shares – issued (mn)	586.7	586.7	-	586.7	586.7	-

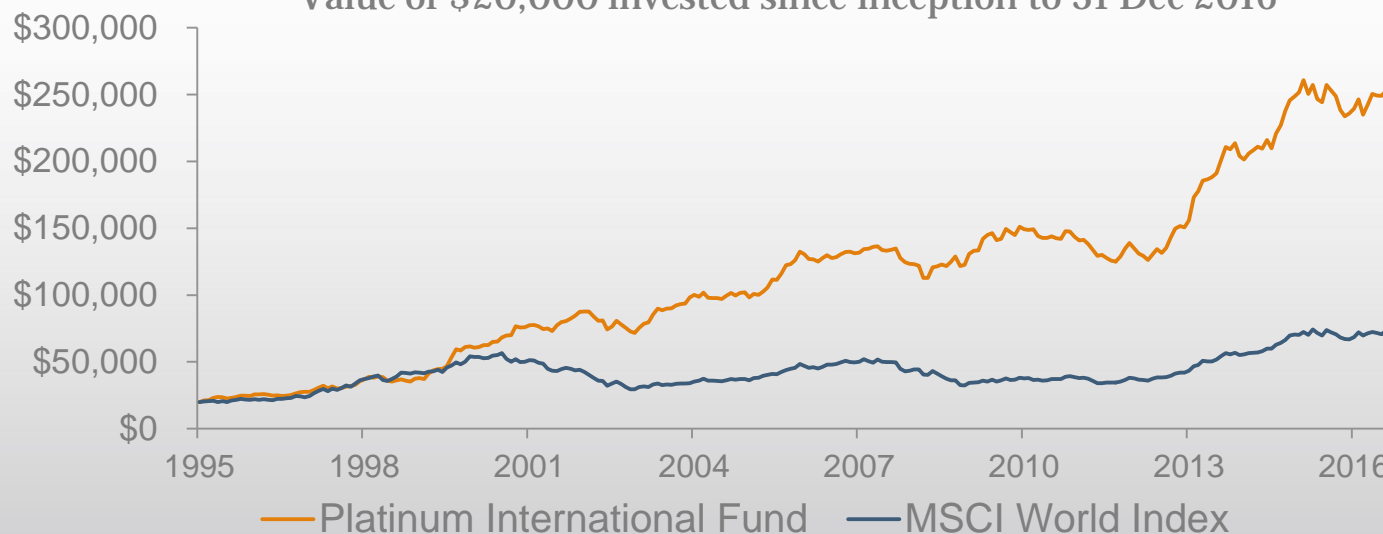
Appendix 3:

A history of building strong accumulated performance

(% compound pa, to 31 Dec 2016)

	<u>6 mths</u>	<u>1 yr</u>	<u>3 yrs</u>	<u>5 yrs</u>	<u>10 yrs</u>	<u>Since Inception</u>
International Fund	10.8	4.6	7.3	15.8	7.1	12.6
<i>MSCI All Country World Net Index</i>	9.6	8.4	9.1	17.2	4.4	6.4

Value of \$20,000 invested since inception to 31 Dec 2016



Source: Platinum Investment Management Limited and RIMES Technologies. The investment returns are calculated using the Platinum International Fund's unit price and represent the combined income and capital return for the specified period. They are net of fees and costs (excl. the buy-sell spread and any investment performance fee payable), pre-tax, and assume the reinvestment of distributions. Investment returns are calculated relative to the relevant MSCI ACWI as referenced in the PDS for the Platinum International Fund (the gross MSCI Index was used prior to 31 December 1998 as the net MSCI ACWI did not exist). The investment returns depicted in the graph are cumulative on A\$20K invested in the Platinum International Fund since inception relative to the MSCI ACWI in A\$

Platinum Asset Management

Our story so far

- 1994** • Platinum founded by Kerr Neilson and Andrew Clifford (worked together since 1988)
 - Soros Funds Management seeds the new firm
 - Listed Investment company (LIC) launched
 - Range of global, regional and sector funds established in Australia and US
- 2007** • Platinum lists on the Australian Securities Exchange (Ticker: PTM)
- 2015** • Launch of Asia LIC and Irish UCITS funds
- Today** • +20 Funds on 3 continents, 87 staff, A\$23b AuM, +30,000 investors, A\$3.2B market capitalisation

Continuity of both team and process

- All we do is global equities investment
 - One investment process, one investment team, one location
- Value based, contrarian investors.
 - Index agnostic, with a key focus on capital protection. Active currency management and long/short to both reduce risk and add alpha
- Deep commitment to proprietary research
 - 29 investment professionals
 - Diverse backgrounds and experience
 - Average Portfolio Manager tenure > 16 years

An unwavering focus on our clients

- An investment firm run by investment professionals
- Exclusive focus on generating investment performance

Flagship Funds	Incep date	Portfolio Manager	Size A\$b	Gross Perf.*	Out-Perf.*
International Fund	1995	Kerr Neilson, Andrew Clifford Clay Smolinski	10.3	13%	+6%
Asia Fund	2003	Joseph Lai	4.1	15%	+5%
Japan Fund	1998	Scott Gilchrist	0.6	15%	+13%
European Fund	1998	Nik Dvornak	0.4	12%	+9%

A successful and stable business

- Simple structure, focussed service range
- Strong cost control, superior leverage to AuM growth
- Gradual expansion of product and client service in Aust/NZ
- Recent UCITS launch in Europe/Asia
- Optima distribution partnership in USA

Year to June (A\$)	2012	2013	2014	2015	2016
Avg AuM (\$B)	16	17	22	26	26
Revenue (\$m)	227	232	320	360	345
Profit Margin	79%	79%	82%	84%	82%

Disclaimer

This information has been prepared by Platinum Asset Management Limited ABN 13 050 064 287. Information which relates to any financial product referenced in this material is general information only and not intended to be financial product advice. It has not been prepared taking into account any particular investor's or class of investors' 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 PDS and consider your particular investment objectives, financial situation and needs prior to making any investment decision to invest (or divest) in the Fund. You should also obtain professional advice prior to making an investment decision. No company or the directors in the Platinum Group® guarantee the performance of any financial product referenced in this material, the repayment of capital, or the payment of income. To the extent permitted by law, no liability is accepted by any company of the Platinum Group or their directors for any loss or damage as a result of any reliance on this information.

Unless otherwise expressly stated, investment returns for the Platinum Trust Funds are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax, and assume the reinvestment of distributions. Investment returns are calculated relative to the relevant MSCI index as referenced in the PDS for the Platinum Trust Funds (the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist). The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Fund and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

MSCI data has been sourced from RIMES Technologies.

All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data. Please see full MSCI disclaimer in www.platinum.com.au/our-funds/platinum-international-fund/#FundPerformance