

# Platinum Asset Management Limited

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**Kerr Neilson, Managing Director**

**Analyst Briefing**

**25 August 2017**

# June 2017 Year: Highlights

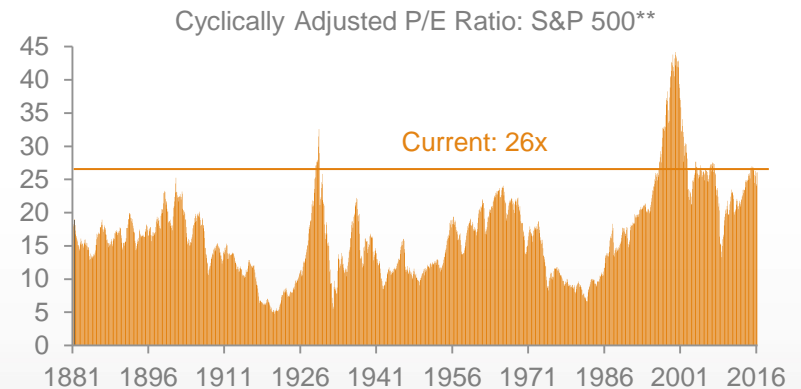
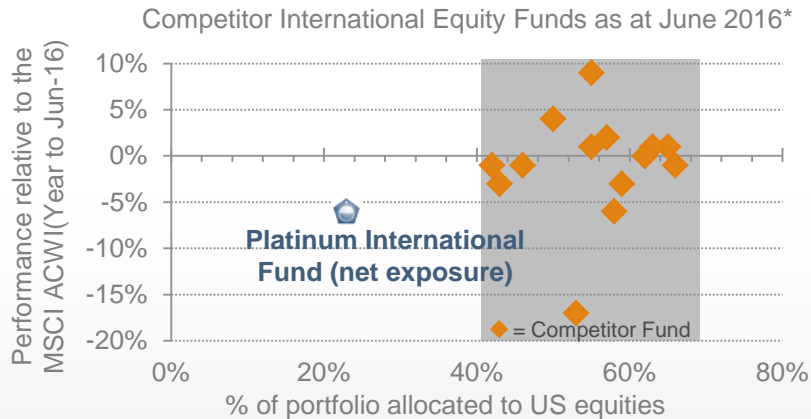
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- Bounce back in investment performance during the year.
- Full year Jun-17 net out-flows strongly correlated to previous year's investment under-performance.
- Distribution initiatives to better position the firm for future performance related growth
  - LICs. Total of \$136m raised via PMC placement/share purchase plan and PAI option exercise.
  - New Quoted Managed Funds to be admitted to trading on ASX shortly. Marketing campaign underway.
  - UCITS fund flows continue to build. FUM now A\$314m.
  - Exploring options to better service our European clients.
  - Distribution arrangements in the US also being reviewed.
- Closing FuM flat year on year. Average FuM down 9%.
- Profit After Tax of \$186m was down 7%.
- Final dividend of 15 cps.

# What we said this time last year...

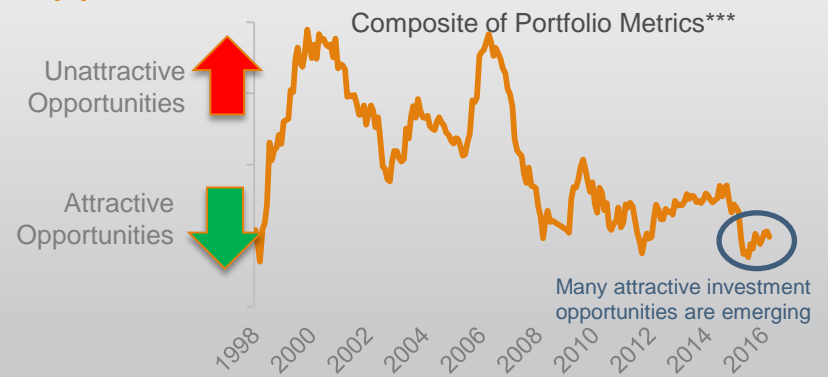
A highly differentiated portfolio...

...reflects low potential of the US market.



The rest of the world now looks relatively cheap...

...which creates attractive buying opportunities.



\* Source: Platinum. Competitor data obtained from fund or platform websites. Funds selected are actively managed Australian registered International equities funds with FuM >\$300mn and a long international equities bias.

\*\* Source: Yale, Schiller

\*\*\* Composite of Portfolio Metrics; Includes Profitability (RoC), Value (EV/CE, P/e, EBITDA/EV, Yield), Growth (sale, earnings, BV /share) and Leverage (Debt/Book). Source: Platinum

# Investment Performance

(to 30 June 2017)

Strong recovery in the last year. Long-term performance remains compelling. Broad based performance across PMs indicative of a strong investment process and quality of research team.

Performance of major Platinum Trust Funds (June-17)		1 year	5 year	10 year	Since Inception	FuM (A\$b)
<b>International Fund</b> (PM's: KN, AC, CS)	- Absolute Return	21.3%	17.1%	7.8%	12.7%	9.7
	- Relative Return	+6.0%	+0.0%	+3.0%	+6.2%	
<b>Asia Fund</b> (PM: JL)	- Absolute Return	19.7%	16.0%	15.0%	15.0%	4.1
	- Relative Return	-3.3%	+1.6%	+4.7%	+4.7%	
<b>International Brands</b> (PM: JH)	- Absolute Return	27.7%	16.1%	9.9%	12.9%	0.8
	- Relative Return	+12.4%	+3.8%	+5.1%	+6.4%	
<b>Japan Fund</b> (PM: SG)	- Absolute Return	24.0%	25.4%	10.8%	15.0%	0.6
	- Relative Return	+8.3%	+9.3%	+8.6%	+12.6%	
<b>European Fund</b> (PM: ND)	- Absolute Return	28.5%	16.6%	7.6%	12.0%	0.5
	- Relative Return	+11.0%	+1.8%	+6.2%	+9.3%	
<b>Healthcare Fund</b> (PM: BO)	- Absolute Return	18.2%	20.4%	11.5%	9.5%	0.2
	- Relative Return	+11.8%	-1.2%	+1.8%	+0.8%	
<b>Unhedged Fund (long only)</b> (PM: CS)	- Absolute Return	31.7%	18.6%	9.0%	11.5%	0.2
	- Relative Return	+16.4%	+1.5%	+4.2%	+5.0%	
					<b>Subtotal (A\$b)</b>	<b>16.1</b>
					<b>% of Total FuM</b>	<b>71%</b>

Portfolio Managers: KN=Kerr Neilson, AC = Andrew Clifford, CS=Clay Smolinski, JL= Joe Lai, JH=Jamie Halse, SG=Scott Gilchrist, ND= Nik Dvornak, BO = Bianca Ogden

## Quality research team, time tested investment process

Strong 2017 results for both investment process and research team

Region	Funds (net exposure)*	Index Return**	Passive Return (by region)***	Actual Fund Return	Active Contribution (by region)
Asia	35%	23%	8.0%	11.7%	<b>+3.7%</b>
Europe	22%	17%	3.7%	5.5%	<b>+1.8%</b>
Japan	13%	16%	2.0%	3.6%	<b>+1.6%</b>
North America	11%	14%	1.5%	2.8%	<b>+1.3%</b>
Cash/Fx	18%	1.5% (RBA)	0.3%	(0.1%)	<b>(0.4%)</b>
<b>Net Return (12 months)****</b>			<b>15.5%</b>	<b>21.3%</b>	<b>+5.8%</b>

- Stock picking was the primary source of excess returns
- Active returns spread across both developed and emerging markets
- The cost of the funds significant (18%) downside protection was minimised

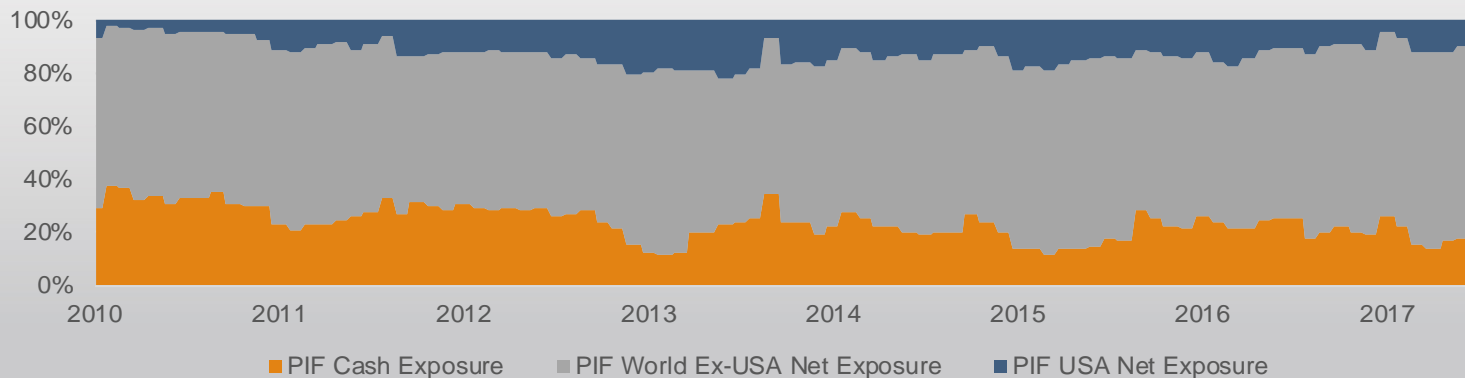
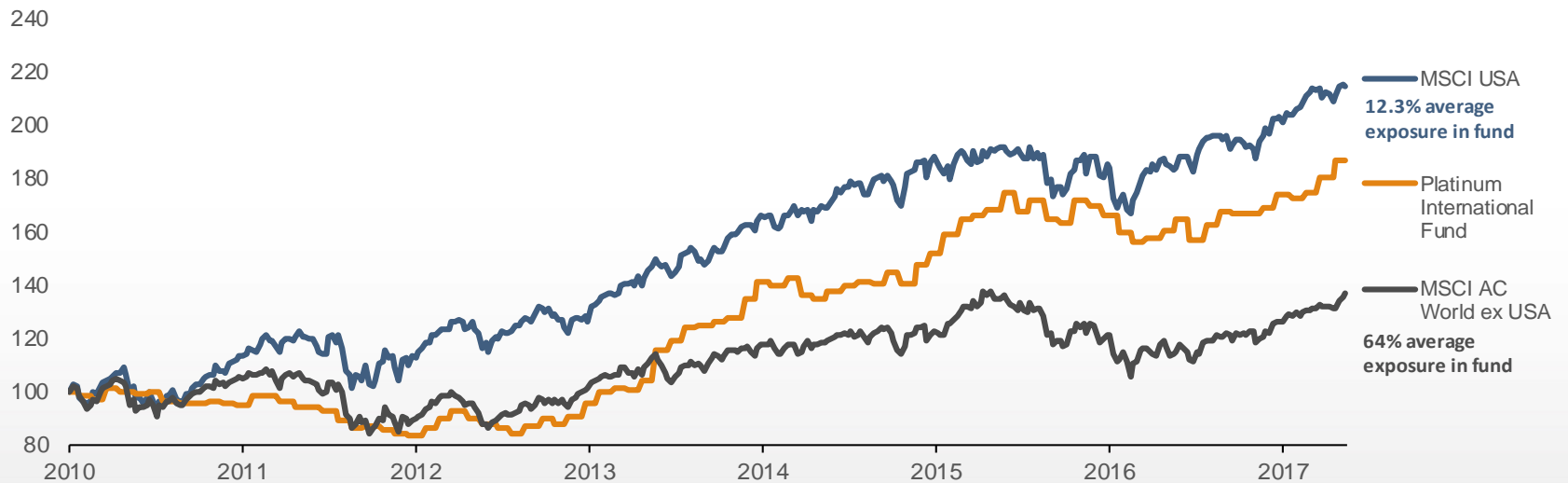
Net exposure represents the exposure of physical holdings and long and short derivative positions. \*\* Index returns relate to the MSCI AC Asia ex Japan, MSCI AC Europe, MSCI USA, MSCI Japan indices. Cash is the RBA cash rate. \*\*\* Passive returns are assumed to achieve the index return.

\*\*\*\* Net returns are stated after fees and costs and other, less significant, performance contributors/detractors. Source: Platinum, except for index returns which are sourced from RIMES Technologies. Past performance is not a reliable indicator of future performance.

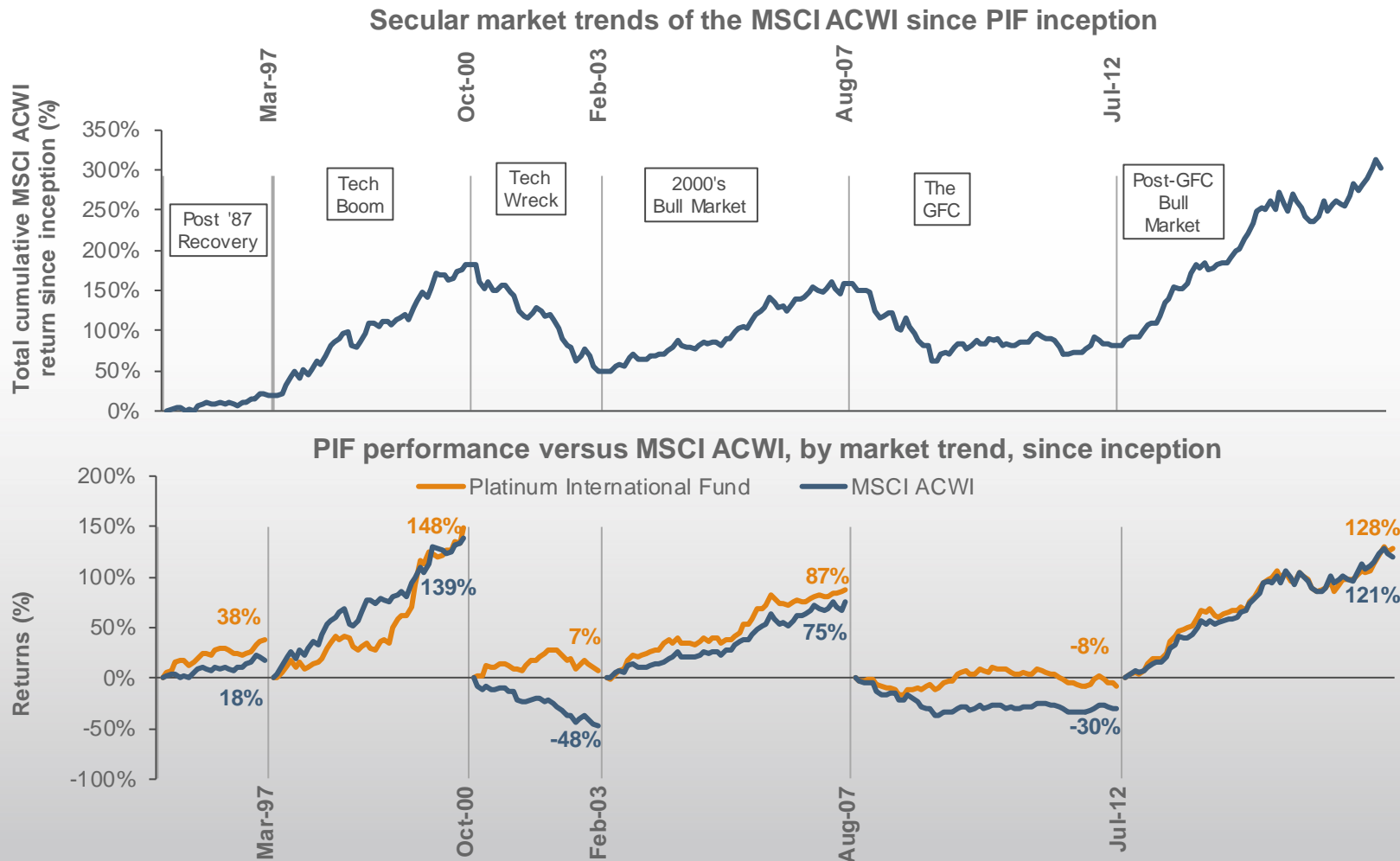
# Platinum International Fund vs USA and World ex-USA

## Returns and exposure since 2010

Delivering strong diversification benefits for clients

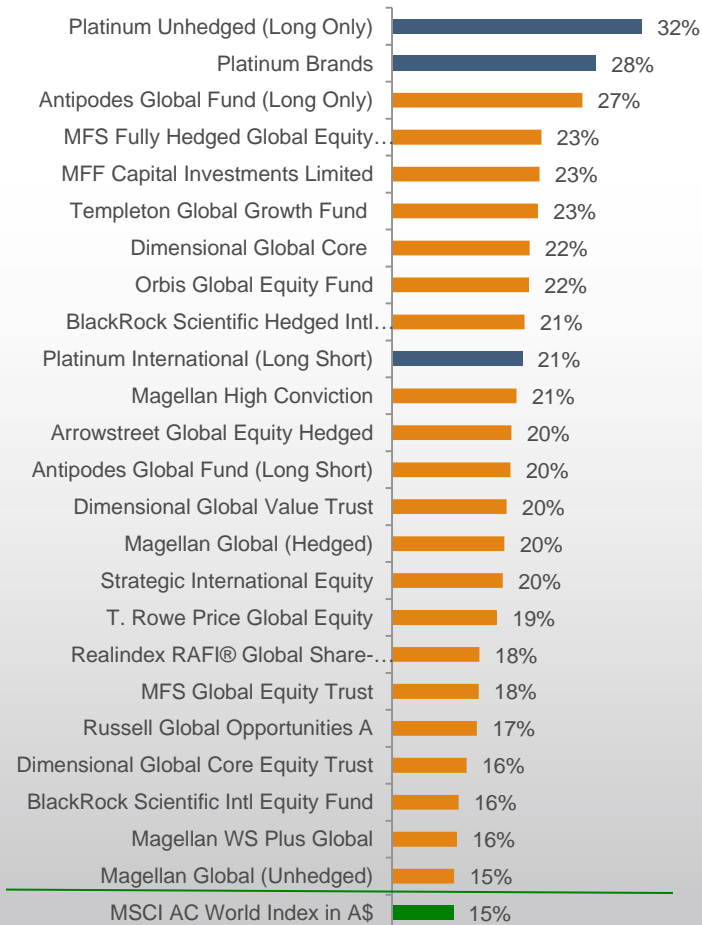


# PIF has outperformed in every major market cycle since 1994

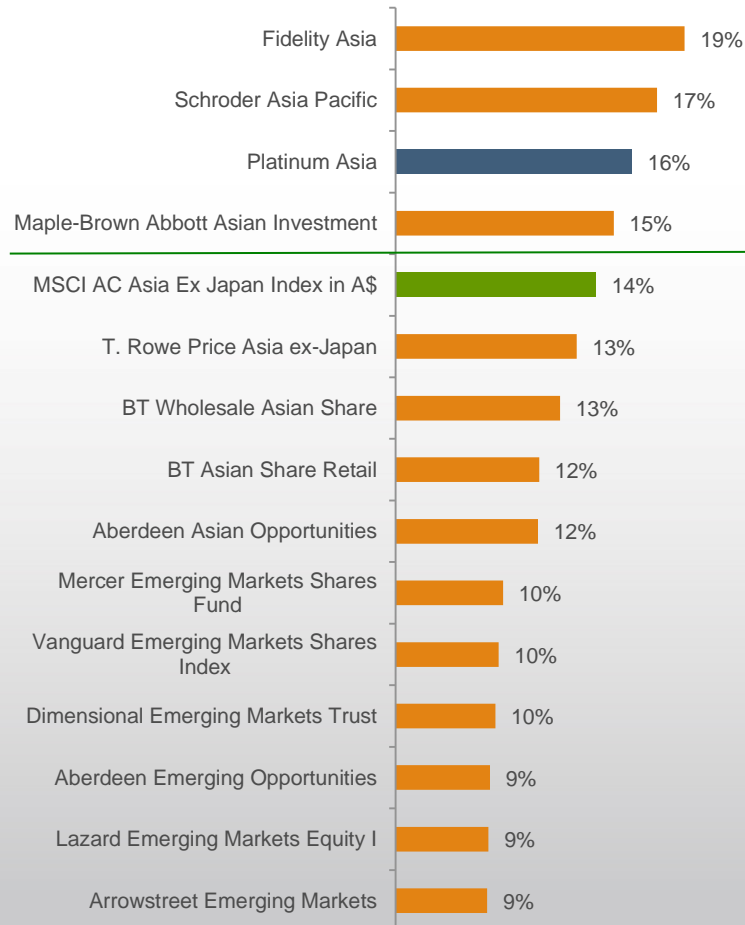


# Competitive position strengthened

## Top 25 Global Equity Funds: 1-Year Performance



## Top 15 Asia Equity Funds: 5-Year performance



“Only 4 managers have beaten the Asia index over 5 years”

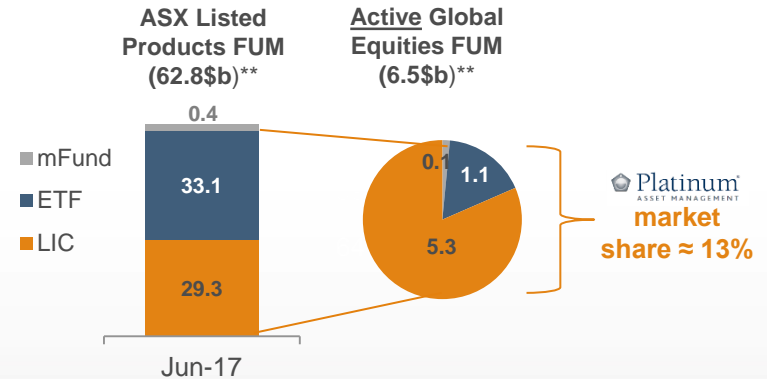
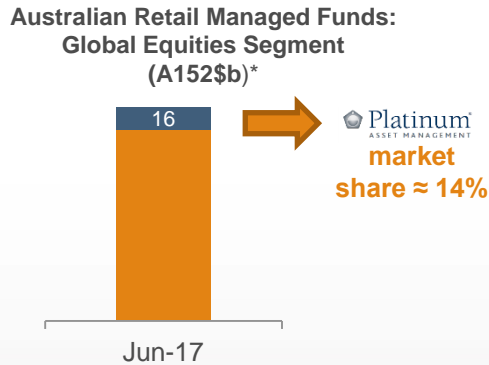
Source: Performance numbers in \$A have been sourced from Morningstar and are as at 30 June 2017. Platinum compiled the list of funds from Morningstar, after applying its own selection criteria. For example, passive strategies have been excluded, as have multiple versions of the same underlying strategy. The intended audience of this slide is sell-side analysts who cover the PTM stock and funds have been selected by Platinum with this target audience in mind. Past performance is not a reliable indicator of future performance.



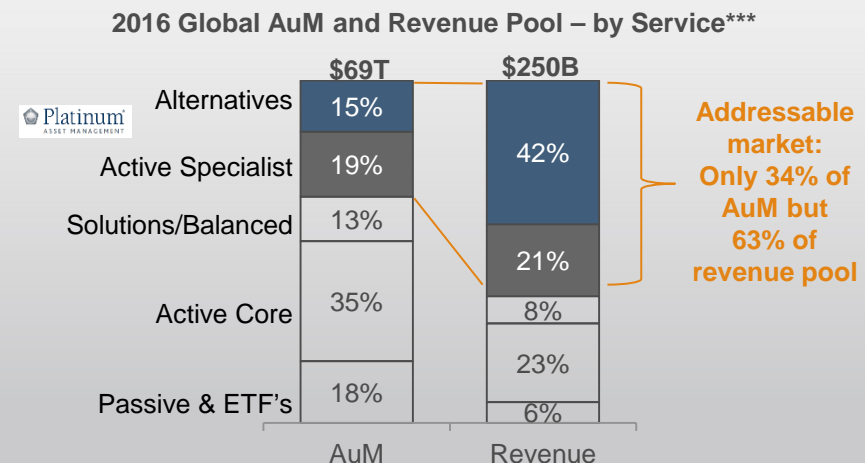
# Strong local franchise, significant offshore opportunity

A strong position in retail funds...

...and direct retail listed channel.



Offshore opportunities are prospective... ...with our services well positioned



\* Source: Morningstar survey; open ended funds.

\*\* Source: ASX Limited

\*\*\* Source: BCG Global Asset Management Strategic Insight, 2017. "Active Specialist" includes equity specialists (incl. global, emerging market) and fixed income specialists.

## Update on key initiatives

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1. European UCITS continue to attract interest (FuM  $\approx$  A\$314m\*). Considering a plan to better support European clients.
2. US footprint (FuM  $\approx$  A\$483m\*) also under review.
3. New ASX Quoted Managed Funds to be launched in coming weeks. Using the launch as a brand opportunity with an advertising campaign.
4. New website to be launched next month. Will include new client secure site features. Ongoing development commitment to enhance new and existing client experience.
5. Early days for new performance fee class. No evidence of substantial switching thus far.
6. Invested in partnership arrangements with key banks and FPA to increase access to advisors. Further, modest, increases in client facing staff likely over next 12 months.

\* As at 21 August 2017.

# Quoted Managed Funds

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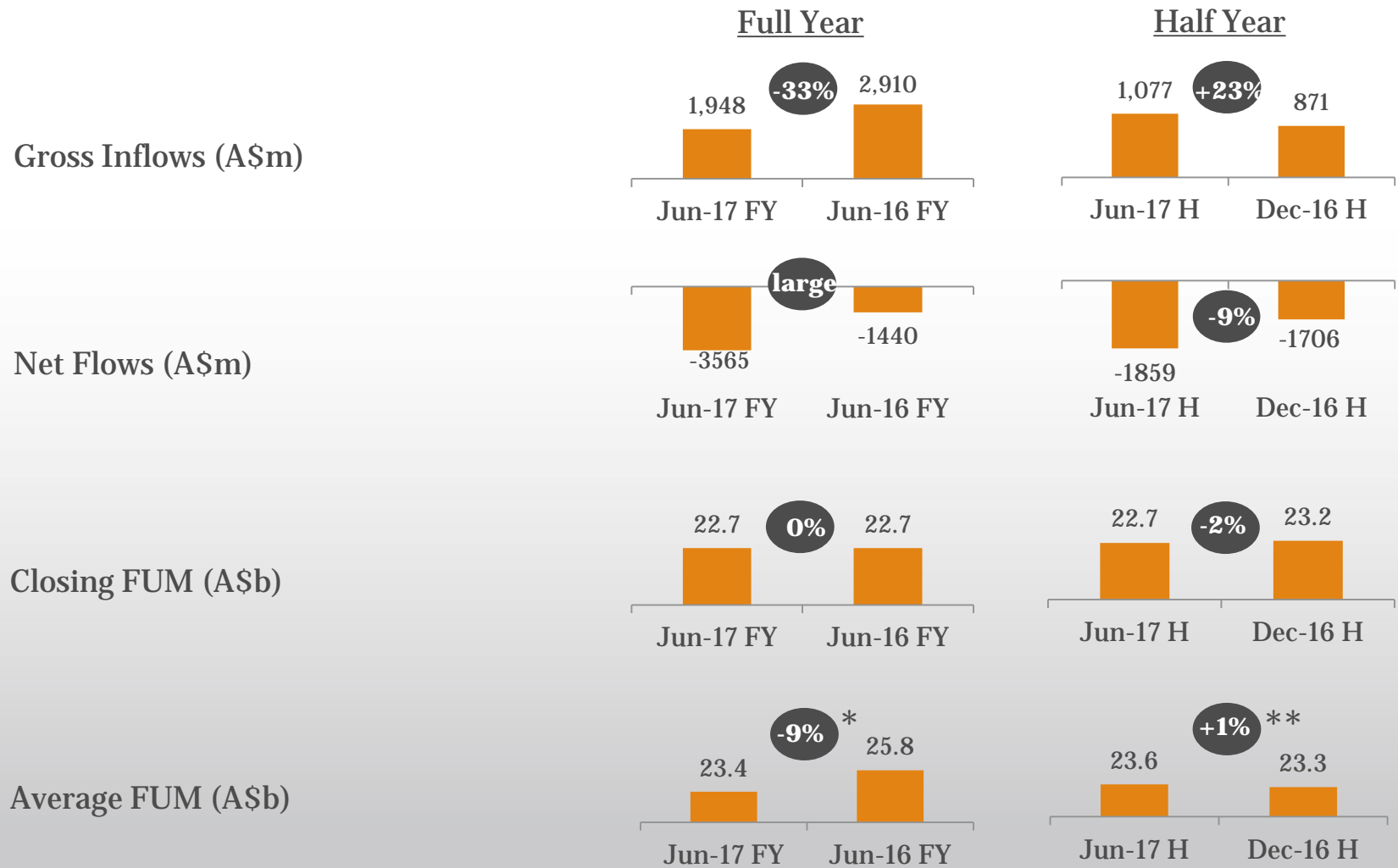
- Two new managed funds quoted on ASX 14 September 2017:  
Platinum International Fund (Quoted Managed Fund) /  
Platinum Asia Fund (Quoted Managed Fund)
- Exciting new industry innovation; structured as feeder funds into the existing \$10bn, 22+ year history, Platinum International Fund and \$4bn, +14 year history, Platinum Asia Fund.
- Benefits: ease of application, no proliferation of additional products, indicative pricing throughout trading day, access to global companies in one trade

# Outlook

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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. Desire for higher foreign equity exposure increasing.
5. Global growth should widen stock dispersion window.

# Flows & Funds Under Management: 30 June 2017



\* Monthly average for the 12 month period to 30 June 2017 and 30 June 2016

\*\* Monthly average for the 6 month period, to 30 June 2017 and 31 December 2016, excluding annual distribution.

Source: Platinum

# Funds Under Management

(\$m 12 months to 30 June 2017)

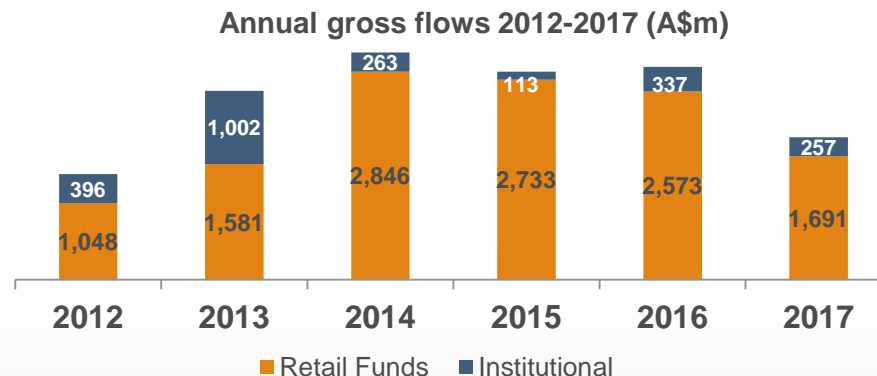
FUNDS	OPENING BALANCE (1 JUL 2016)	NET FLOWS	DISTRIBUTIONS	INVESTMENT PERFORMANCE	CLOSING BALANCE (30 JUN 2017)	% OF TOTAL
<b><u>Platinum Funds</u></b>						
Platinum Trust Funds and Platinum Global Fund	16,539	(2,548)	(1,072)	3,330	16,249	72%
Platinum Listed Investment Companies – PMC and PAI	616	103		139	858	4%
Platinum World Portfolios – UCITS Funds	63	168		32	263	1%
MLC Platinum Global Fund	918	(149)		192	961	4%
<b><u>Institutional</u></b>						
Management Fee Mandates	1,849	(158)		398	2,089	9%
'Relative' Performance Mandates <sup>1</sup>	2,155	(789)	(1)	454	1,819	8%
'Absolute' Performance Mandates	548	(192)		118	474	2%
<b>TOTAL</b>	<b>22,688</b>	<b>(3,565)</b>	<b>(1,073)</b>	<b>4,663</b>	<b>22,713</b>	<b>100%</b>

<sup>1</sup> FuM includes Platinum Trust Funds (mostly institutional) performance fee clients of \$102m, super mandates of \$1,717m. Performance fees calculated to 30 June 2017 – all global mandates.

# Flows: 30 June 2012 to 30 June 2017

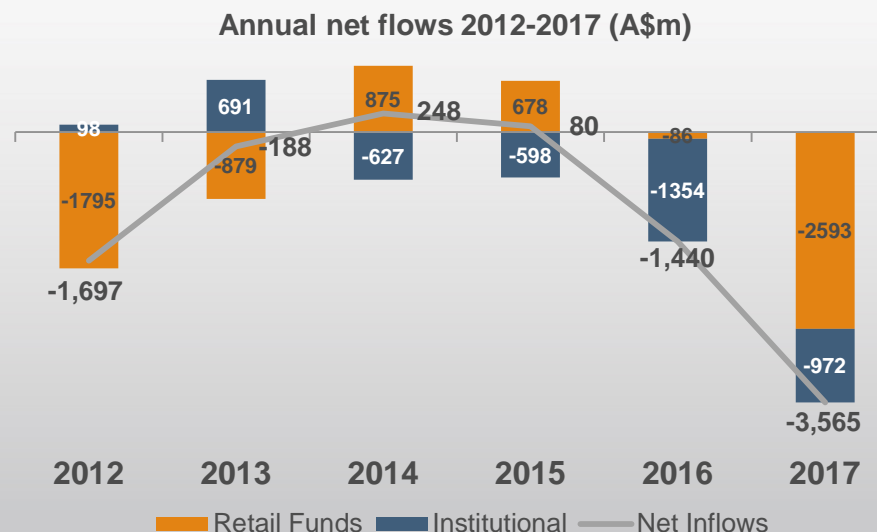
## Gross Flows

- Gross flows for 2017 were well down on 2016.
- 30% of the decrease was due to 2016 PAI IPO (+\$286m) but the remainder was lower retail inflows, likely in a lagged response to fund underperformance (versus benchmark) during 2015-2016.
- Commercial institutional flows continue to be lumpy and episodic in nature.



## Net Flows

- Retail net flows were negative in the second half, taking full year outflows to \$3.6B.
- PT Funds' net outflows of \$2.548B were split 64% platform (59% FuM), 11% Institutional (9% FuM) and 25% direct retail (32% FuM).
- UCITS Funds recorded net inflows of US\$168m.
- LIC net inflows were \$103m, thanks to a successful PMC placement/SPP and PAI option exercises.
- Institutional net outflows were concentrated, with one large client reducing their account by (\$600m).



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.

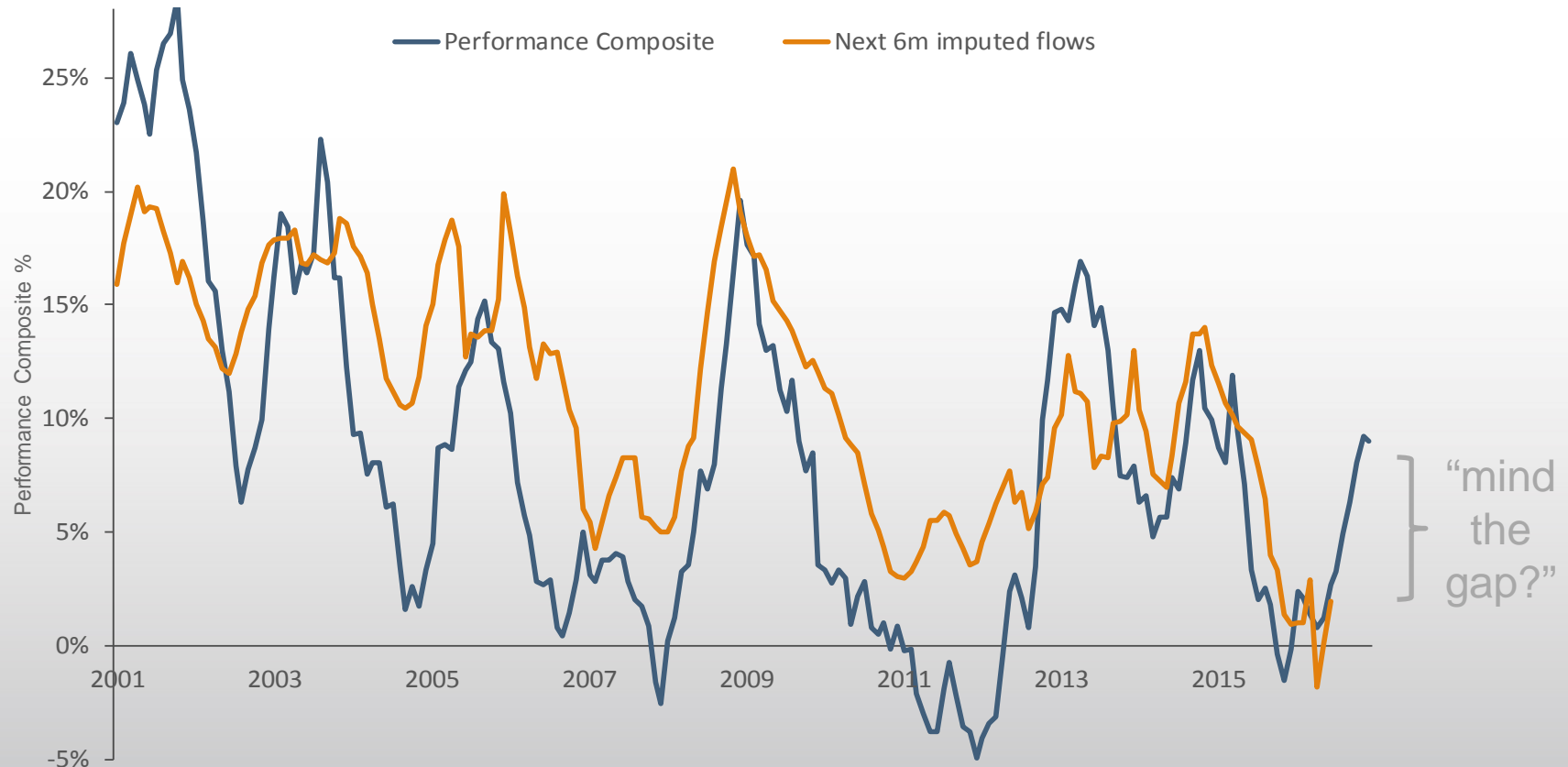
(Year to 30 June, unless otherwise stated)

Source: Platinum

# Powerful historical link between flows and performance

## Platinum International Fund

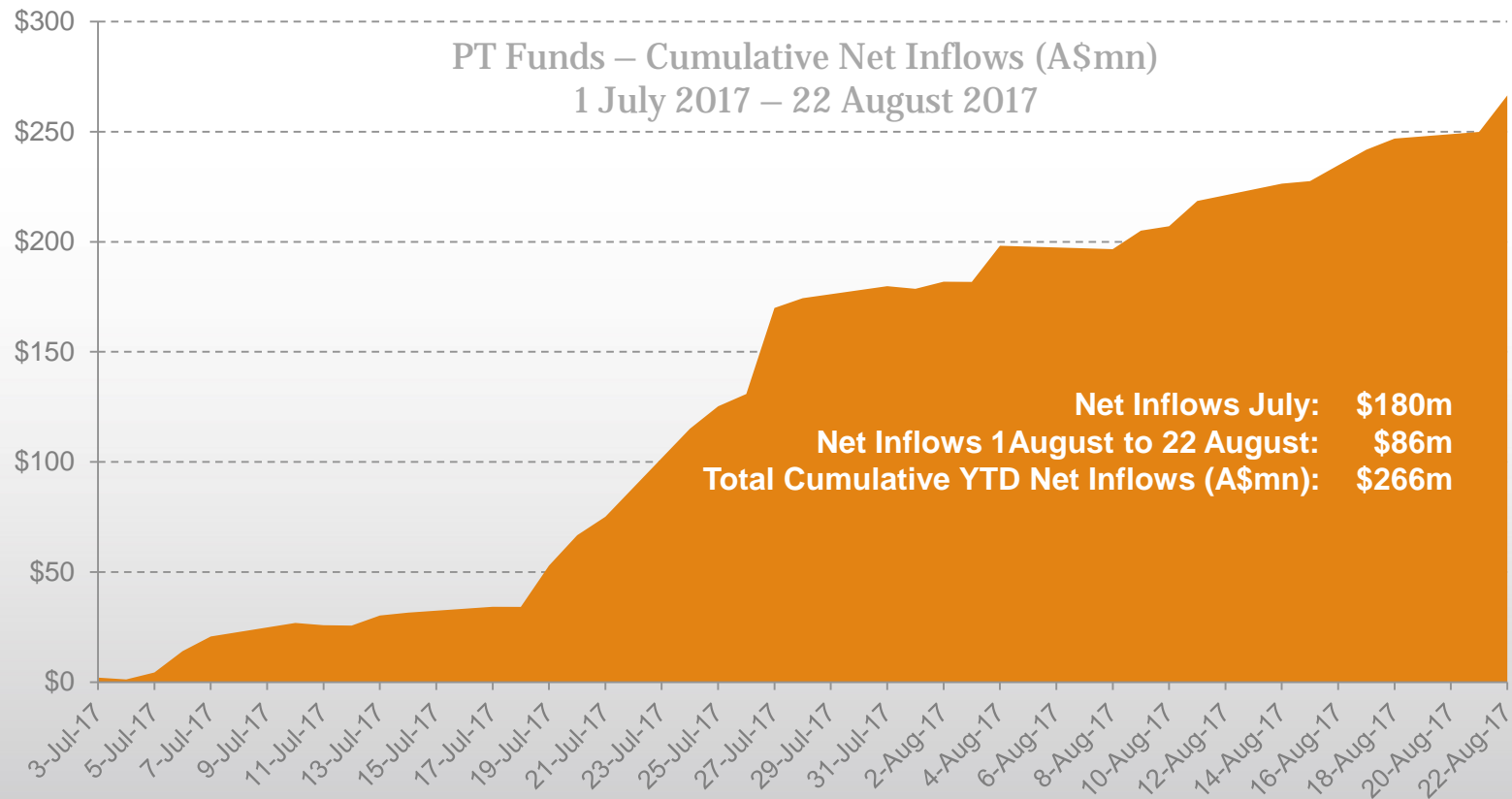
### Performance composite vs following 6 months of flows



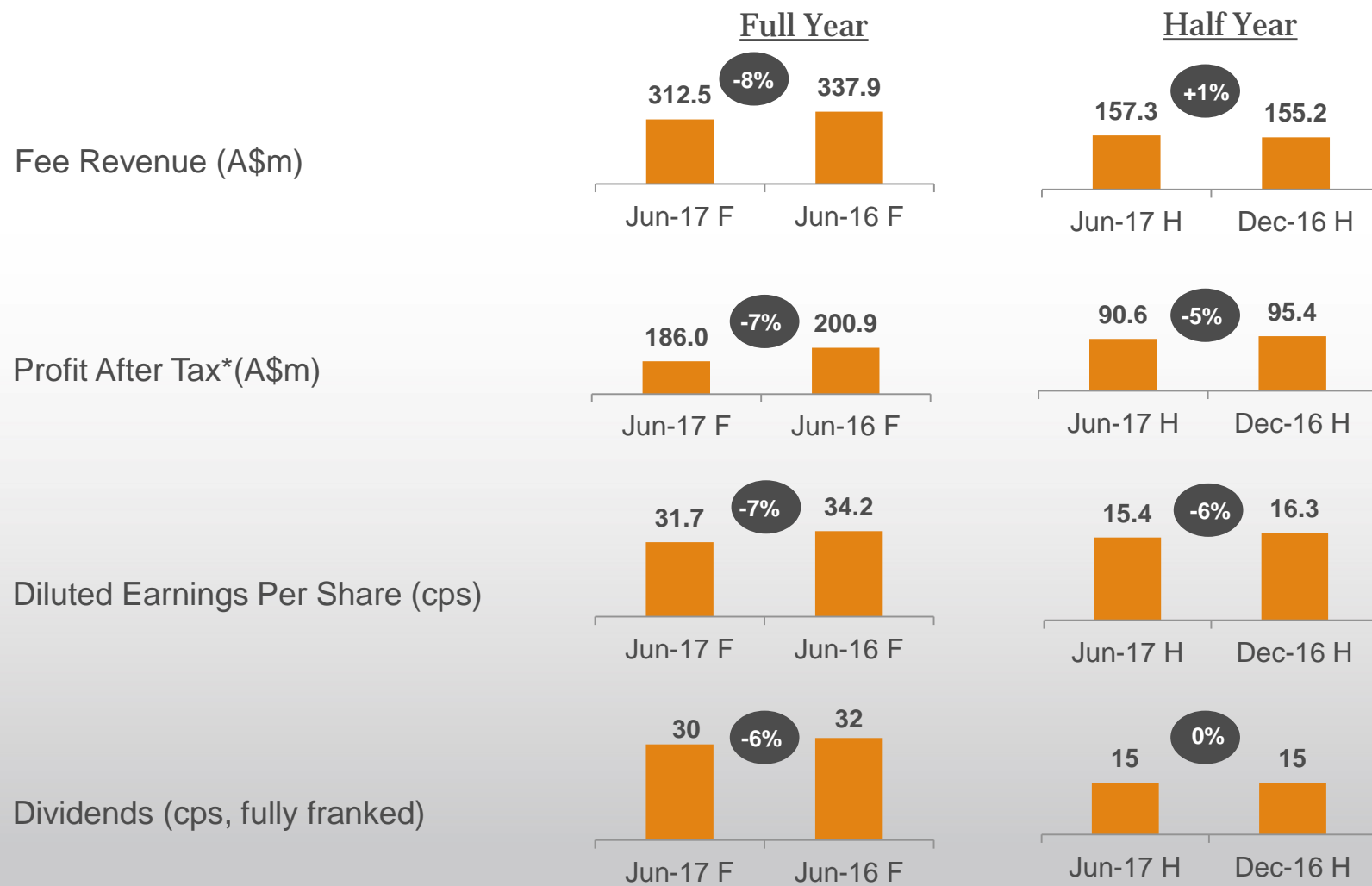
Source: Platinum (PIF) and Factset (MSCI). Past performance is not a reliable indicator of future performance. Performance Composite: average of 1 and 3 year absolute & relative returns (to MSCI AC World Net Index \$A)  
Imputed flows: Sum of  $NAV_{t-1} - NAV_{t-2}$  Monthly return for the 6 months following composite result  $NAV_t$  using publically available month end Net Asset Value as at time, t



# ...and some encouraging early signs.



# Operating Results: 30 June 2017



# Segment Analysis

(as at 30 June 2017)

FUNDS MANAGEMENT	JUN-17 (\$M)	JUN-16 (\$M)	% VAR
Fee Revenue	312.5	337.9	(8%)
Other Revenue	0.3	0.4	-
<b>Total Revenue</b>	<b>312.8</b>	<b>338.3</b>	<b>(8%)</b>
Expenses	(62.6)	(61.7)	1%
<b>Profit Before Tax</b>	<b>250.2</b>	<b>276.6</b>	<b>(10%)</b>
Income Tax Expense	<b>(74.2)</b>	<b>(80.7)</b>	<b>(8%)</b>
Non controlling interest	-	-	-
<b>Profit After Tax</b>	<b>176.0</b>	<b>195.9</b>	<b>(10%)</b>
<b>Average FuM</b>	<b>23,443</b>	<b>25,821</b>	<b>(9%)</b>

INVESTMENTS AND OTHER	JUN-17 (\$M)	JUN-16 (\$M)	% VAR
Fee Revenue	-	-	
Other Revenue	20.7	6.4	
<b>Total Revenue</b>	<b>20.7</b>	<b>6.4</b>	
Expenses	(0.3)	(0.8)	
<b>Profit Before Tax</b>	<b>20.4</b>	<b>5.6</b>	
Income Tax Expense	<b>(3.8)</b>	<b>(1.6)</b>	
Non controlling interest	(6.6)	1.0	
<b>Profit After Tax</b>	<b>10.0</b>	<b>5.0</b>	<b>100%</b>
<b>Net Assets</b>	<b>310.4</b>	<b>348.5</b>	<b>(11%)</b>

- Funds management revenue was down 8% year-on-year, in line with average funds under management. Profits were down 10% due also to a 1% uptick in expenses.
- Profits from investments and other income were up 100% on prior year, almost entirely due to gains from the PAI and UCITS investments.

# Revenue Analysis

(as at 30 June 2017)

	JUN-17 (\$M)	JUN-16 (\$M)	\$ VAR. (\$M)	COMMENT
Management and admin fees	310.9	335.3	(24.4)	Fall is in-line with decrease in average FUM.
Performance fees	1.6	2.6	(1.0)	
<b>Sub-Total: Fee Revenue</b>	<b>312.5</b>	<b>337.9</b>	<b>(25.4)</b>	
Interest income	4.3	4.1	0.2	Higher interest rates on term deposits following repatriation of USD into AUD.
Gain/(loss) on PAI	5.1	(1.5)	6.6	2017: \$5.9M equity accounted gain set off against \$800K loss on options. 2016: \$800K gain on options set off against \$2.3M equity accounted loss.
Gain/(loss) on UCITS	11.5	(0.9)	12.4	2017: \$7.6M gain on direct holdings prior to deconsolidation plus \$3.9M equity accounted gain. 2016: \$900K unrealised mark-to-market loss.
FX gains	0.2	5.1	(4.9)	US\$ position closed during the year.
<b>Sub-Total: Other Income</b>	<b>21.1</b>	<b>6.8</b>	<b>14.3</b>	
<b>Total Revenue</b>	<b>333.6</b>	<b>344.7</b>	<b>(11.1)</b>	

# Expense Analysis

(as at 30 June 2017)

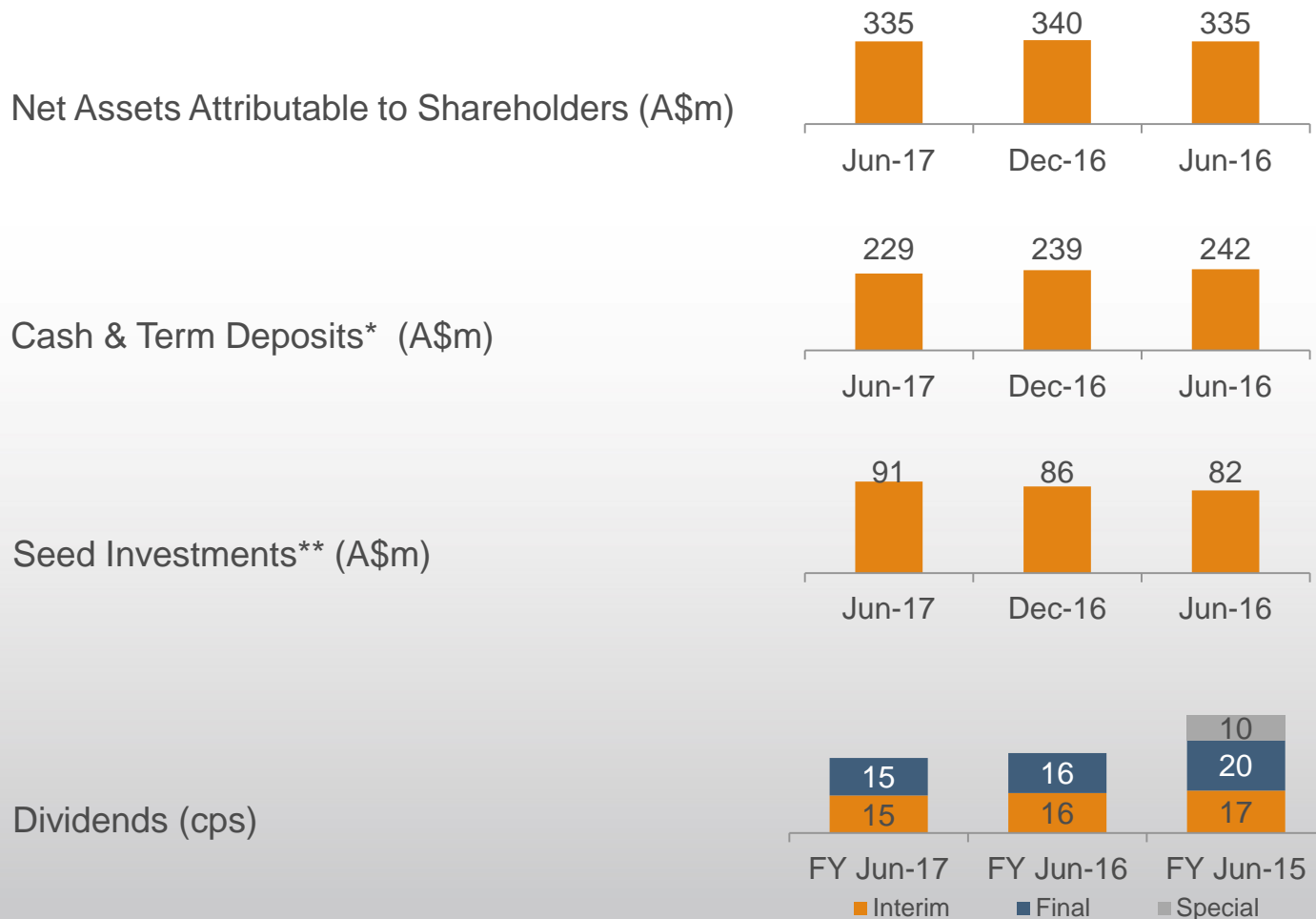
	JUN-17 (\$MN)	JUN-16 (\$MN)	\$ VAR. (\$MN)	COMMENT
Staff costs, incl. share based payments	35.7	31.0	4.7	Higher incentive compensation and incumbent salary increases.
Custody, administration, trustee and unit registry costs	12.0	14.2	(2.2)	Reduced custody and unit registry rates.
Business development costs	4.1	5.8	(1.7)	Spend likely to increase in FY18
Research	2.0	2.1	(0.1)	
Other costs	9.2	9.4	(0.2)	
<b>Total Expenses</b>	<b>63.0</b>	<b>62.5</b>	<b>0.5</b>	

**MiFID II Update:** Having limited impact so far

- The main rule changes relate to additional transparency and reporting requirements for trading securities on European markets
- In relation to unbundling of research costs:
  - At this stage, the Irish regulator (CBI) has not indicated they will impose the requirements on non-EU Investment Firms of Irish UCITS
  - PTM does not have any institutional clients that require PTM to adopt an unbundled funding model
  - ASIC noted in June 2017 that they *"have no plans currently to implement similar requirements in this market..."*<sup>\*\*\*</sup> PTM will continue to monitor developments closely as the rules are implemented

# Strong Balance Sheet

(as at 30 June 2017)



\* Jun-16 is stated after the deduction of \$15.8m related to UCITS fund cash balances

\*\* Refers to PTM's investment in PAI \$53m and UCITS fund \$38m

Source: Platinum

# Appendix 1: Detailed Operating Results

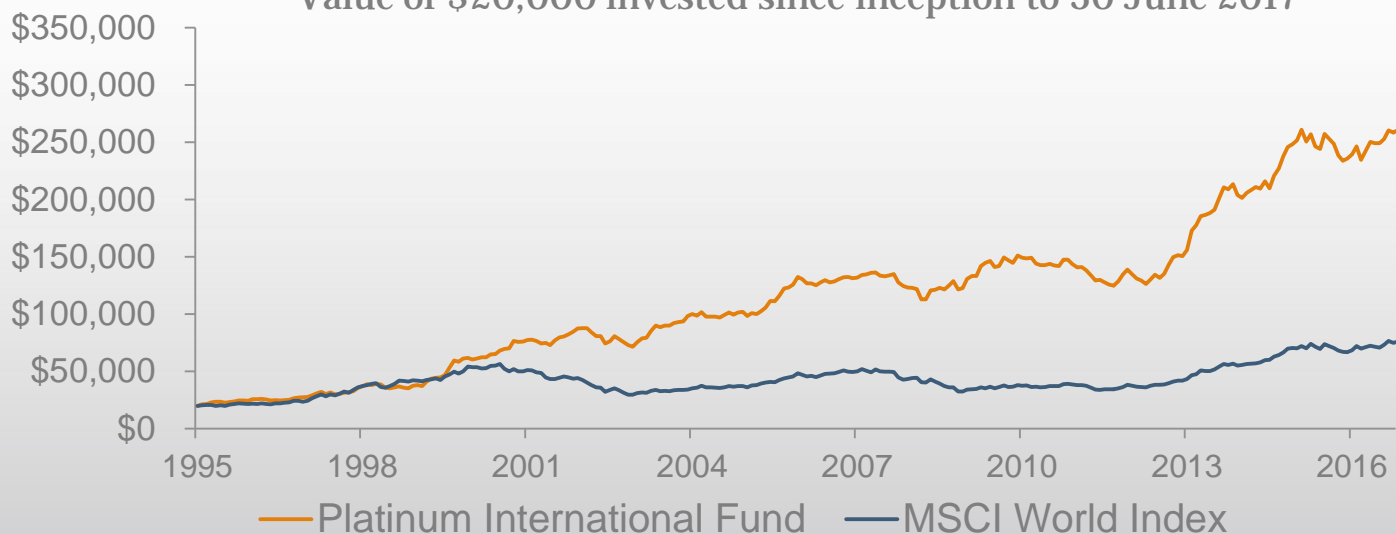
(\$M)	JUN-17	JUN-16	% CHANGE	JUN-17 H	DEC-16 H	% CHANGE
Management and admin fees	310.9	335.3	(7%)	156.6	154.3	1%
Performance fees	1.6	2.6	(38%)	0.7	0.9	(22%)
Interest income	4.3	4.1	5%	2.5	1.8	39%
Net gains/(losses) on FX, FA & other income	16.8	2.7	522%	12.0	4.8	large
<b>Total revenue</b>	<b>333.6</b>	<b>344.7</b>	<b>(3%)</b>	<b>171.8</b>	<b>161.8</b>	<b>21%</b>
Staff costs, incl. share based payments	35.7	31.0	15%	25.9	9.8	large
Custody and unit registry costs	12.0	14.2	(15%)	6.1	5.9	3%
Business development costs	4.1	5.8	(29%)	2.1	2.0	5%
Research	2.0	2.1	(5%)	1.1	0.9	22%
Other costs	9.2	9.4	(2%)	4.3	4.9	(12%)
<b>Total costs</b>	<b>63.0</b>	<b>62.5</b>	<b>1%</b>	<b>39.5</b>	<b>23.5</b>	<b>68%</b>
<b>Pre-tax profit</b>	<b>270.6</b>	<b>282.2</b>	<b>(4%)</b>	<b>132.3</b>	<b>138.3</b>	<b>(4%)</b>
<b>Income tax expense</b>	<b>78.0</b>	<b>82.3</b>	<b>(5%)</b>	<b>37.2</b>	<b>40.8</b>	<b>(9%)</b>
<b>Net profit after tax</b>	<b>192.6</b>	<b>199.9</b>	<b>(4%)</b>	<b>95.1</b>	<b>97.5</b>	<b>(2%)</b>
<b>Net profit after tax attributable to owners</b>	<b>186.0</b>	<b>200.9</b>	<b>(7%)</b>	<b>90.6</b>	<b>95.4</b>	<b>(6%)</b>
<b>Diluted EPS (c)</b>	<b>31.7</b>	<b>34.2</b>	<b>(7%)</b>	<b>15.4</b>	<b>16.3</b>	<b>(6%)</b>
<b>Average FUM (\$b)</b>	<b>23.4</b>	<b>25.8</b>	<b>(9%)</b>	<b>23.4</b>	<b>23.3</b>	<b>-</b>
Total no. of shares – issued (mn)	586.7	586.7	-	586.7	586.7	-

## Appendix 2: A history of building strong accumulated performance

(% compound pa, to 30 June 2017)

	<u>6 mths</u>	<u>1 yr</u>	<u>3 yrs</u>	<u>5 yrs</u>	<u>10 yrs</u>	<u>Since Inception</u>
<b>Platinum International Fund</b>	<b>9.5</b>	<b>21.3</b>	<b>11.0</b>	<b>17.1</b>	<b>7.8</b>	<b>12.7</b>
<i>MSCI All Country World Net Index \$A</i>	5.2	15.3	12.3	17.1	4.8	6.8

Value of \$20,000 invested since inception to 30 June 2017



Source: Platinum (PIF) and RIMES Technologies (MSCI). Past performance is not a reliable indicator of future performance.



# 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, 91 staff, A\$23b AuM, +30,000 investors, A\$3.1B 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	Fund Perf.*	Out-Perf.*
International Fund	1995	Kerr Neilson, Andrew Clifford Clay Smolinski	9.7	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	0.5	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 Aus/NZ
- Recent UCITS launch in Europe/Asia
- Distribution partnership in USA

Year to June (A\$)	2013	2014	2015	2016	2017
Avg AuM (\$B)	17	22	26	26	23
Revenue (\$m)	232	320	360	345	334
Profit Margin	79%	82%	84%	82%	81%

# Disclaimer

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