

Platinum Asset Management AFSL 221935

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Any investment returns quoted are calculated using the Fund's unit price and represents the combined income and capital return for the specified period. The return is net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax, and assume the reinvestment of distributions.

The investment returns are historical and no warranty can be given for future performance. Past performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, returns can be negative (particularly in the short-term). MSCI data has been sourced through MSCI.

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Andrew Clifford, Chief Investment Officer

The world today

Japan joins the negative rates club

• Move sparks surge in equities and bonds • Fears rise over China and risk of slowdown

Plunging crude prices threaten the axe for \$1tn of energy projects

• Goldman warns of delays to oil majors' plans • 7.5m barrels a day of new output at risk

PM's push for reform rocked by \$55b rout

OIL CRISIS WILL HIT PENSIONS

GREAT FALL OF CHINA
UK savings and pensions hit as Chinese crash triggers \$70 billion FTSE plunge

Black Monday risks a new financial crisis

• Stock markets fall around the world after panic selling in China • Precipitous and historic

Fears grow over effect of negative rates on economy

Bank raises spectre of 'negative interest rates'

INTEREST RATES ON HOLD FOR 2 YEARS

Markets take a plunge

• 'Black Monday' in China casts shadow over stock markets around the world • China wiped off value of FTSE 300 stocks in biggest one-day fall since 2009 • UK share prices down by 17 per cent since April - and close to bear market territory

Despair for savers as Bank of England mulls negative rates

• ECB chief unveils €100bn of cheap loans • More radical action possible
Draghi in historic rate cut to stave off eurozone deflation

Day of turmoil as negative rates strike fear into global markets

• Fed chair Yellen seeks to reassure Senate • Gold makes biggest one-day gain since crisis

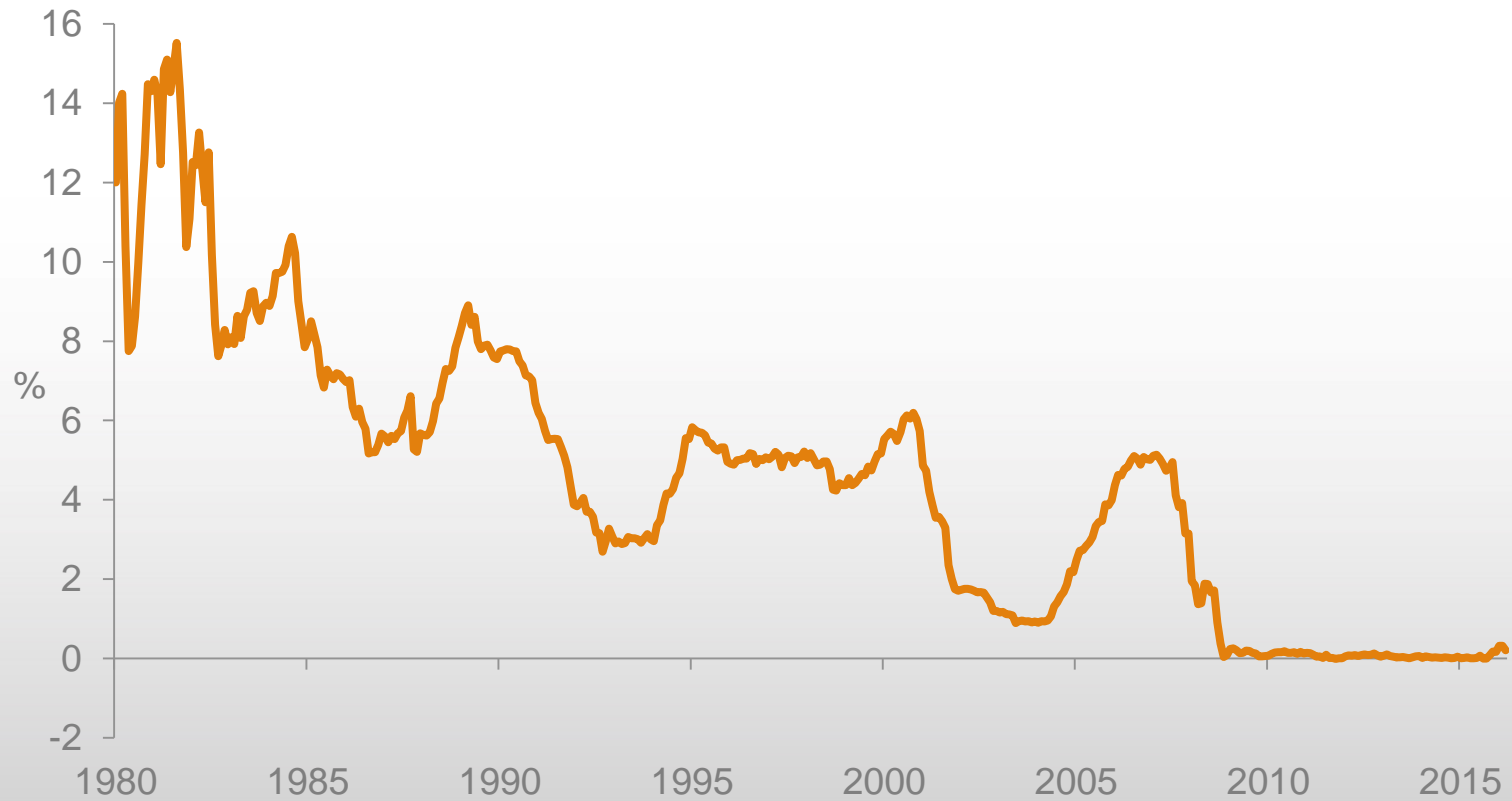
Economia afunda em crise histórica

Em meio a desastrosa volatilidade nos mercados de ações, o rendimento das ações caiu...

Bloomberg

YUAN TUMBLE TESTS CHINA'S FREE-MARKET RESOLVE

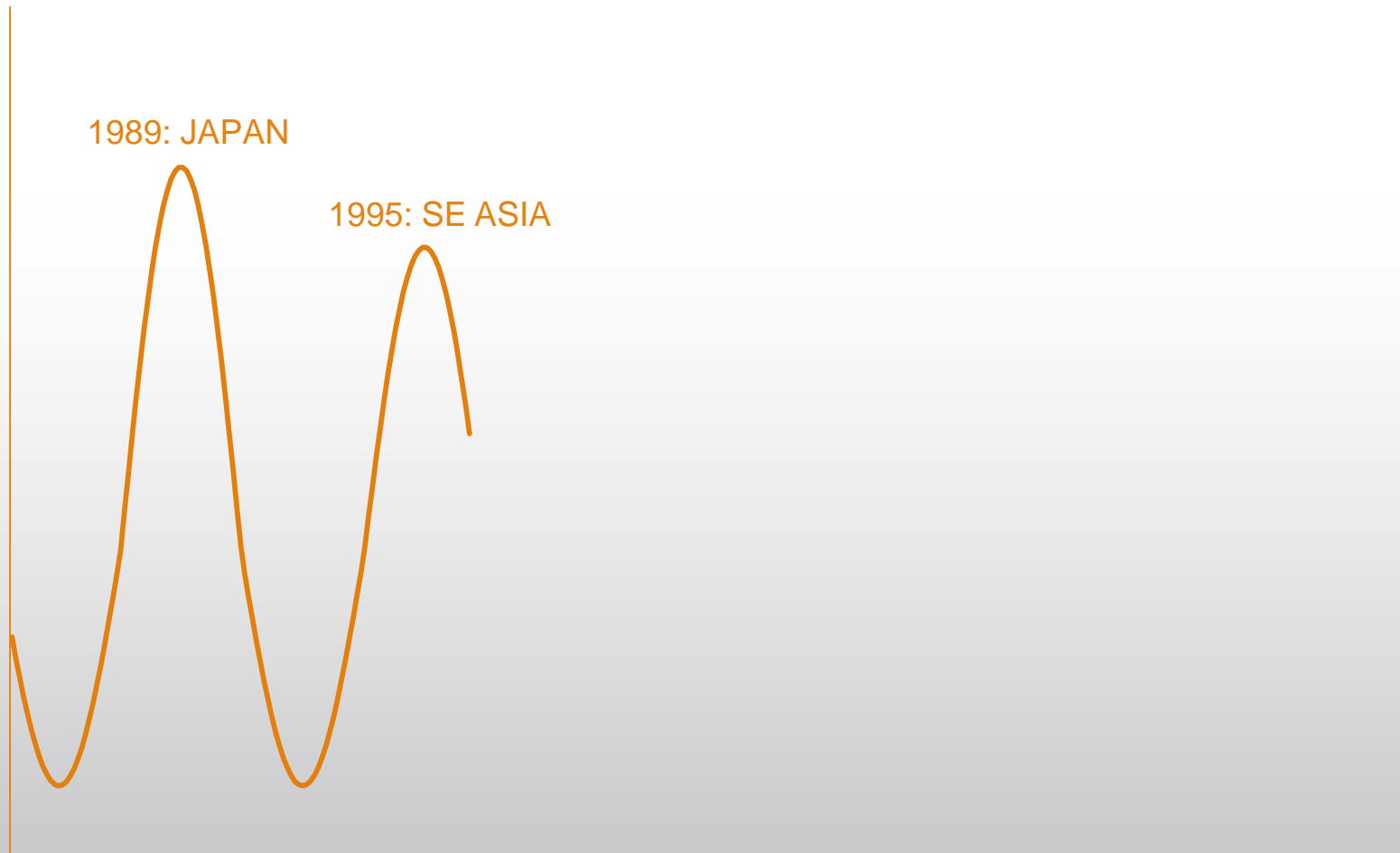
Falling US interest rates



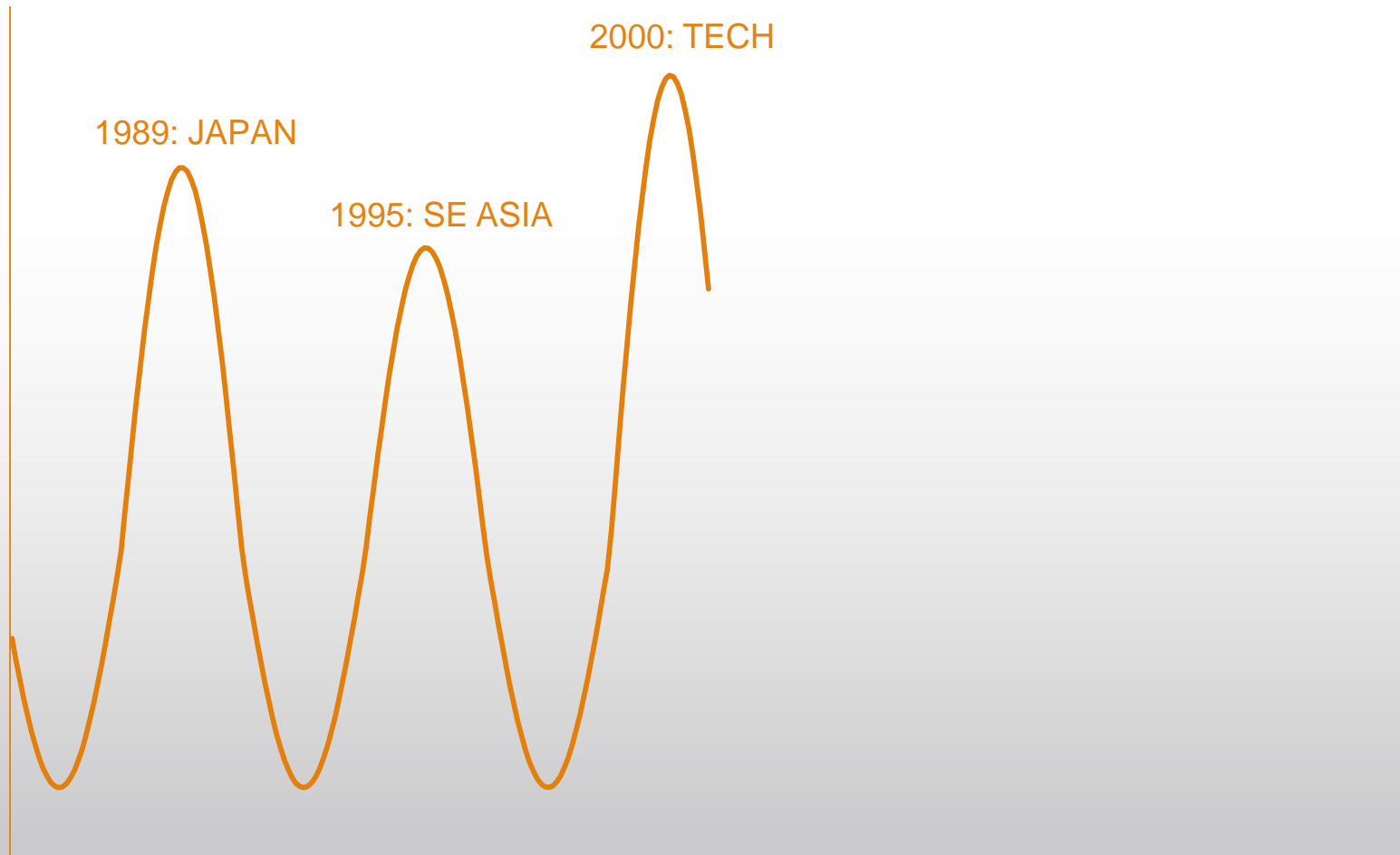
Rolling investment booms



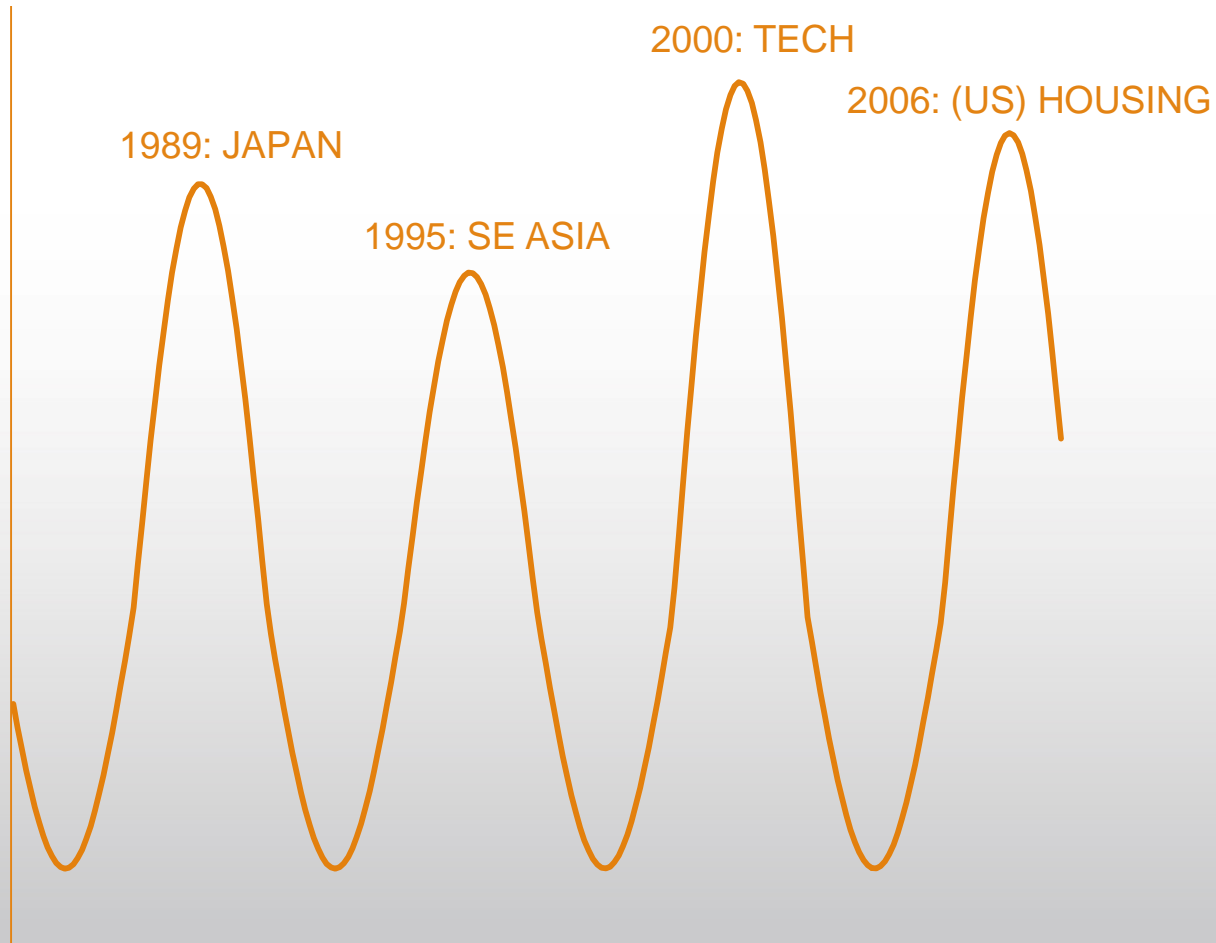
Rolling investment booms



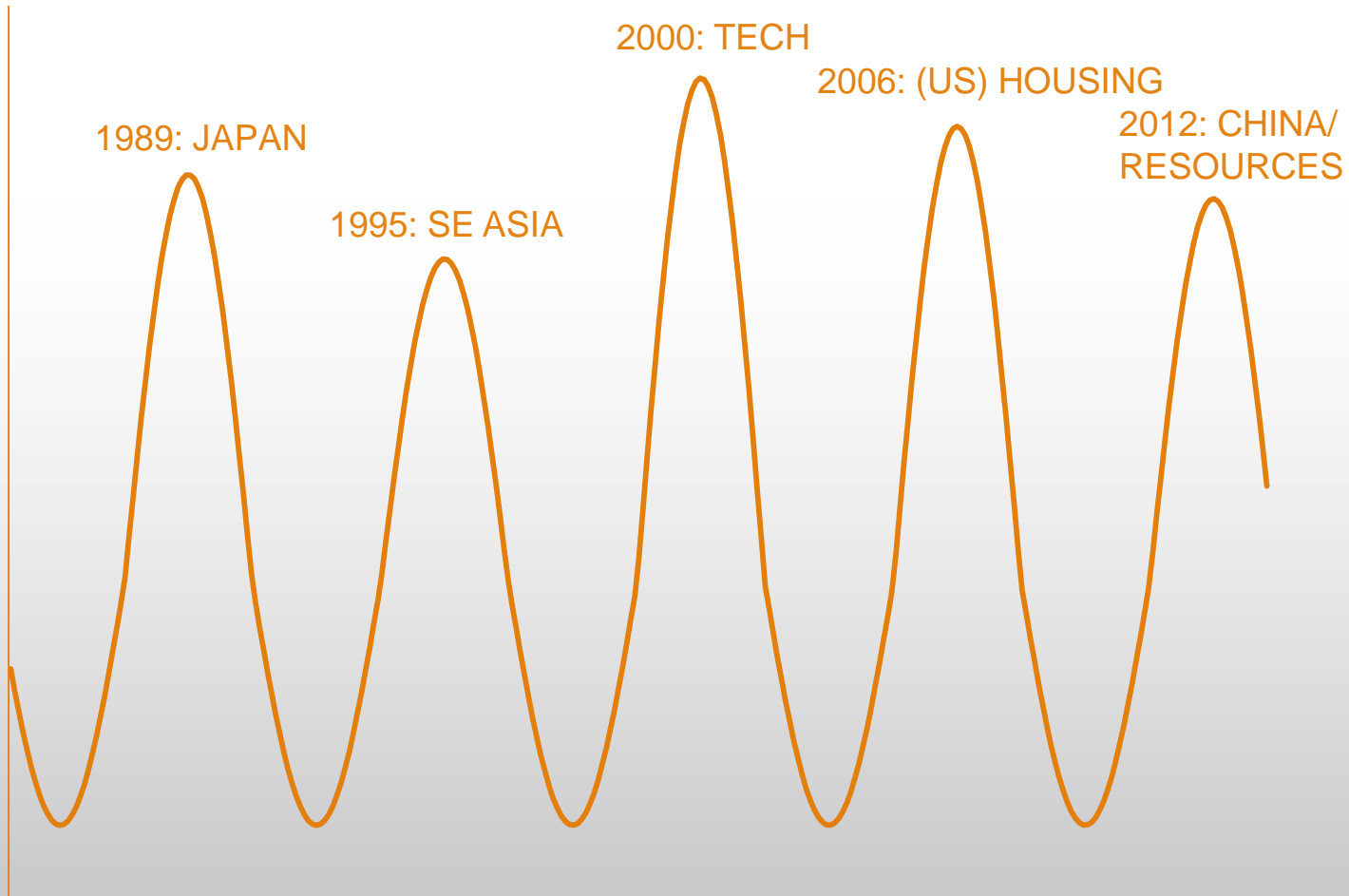
Rolling investment booms



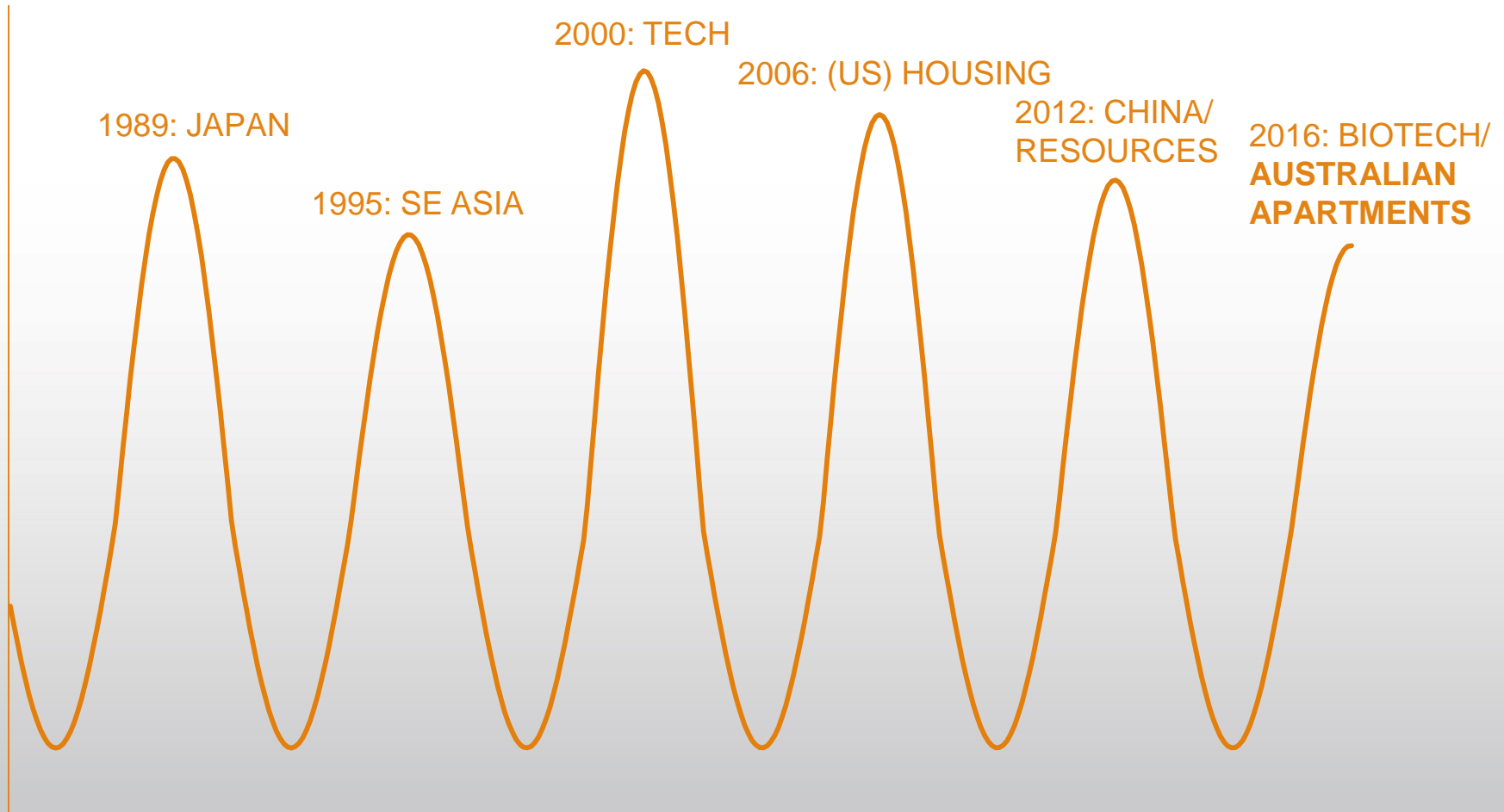
Rolling investment booms



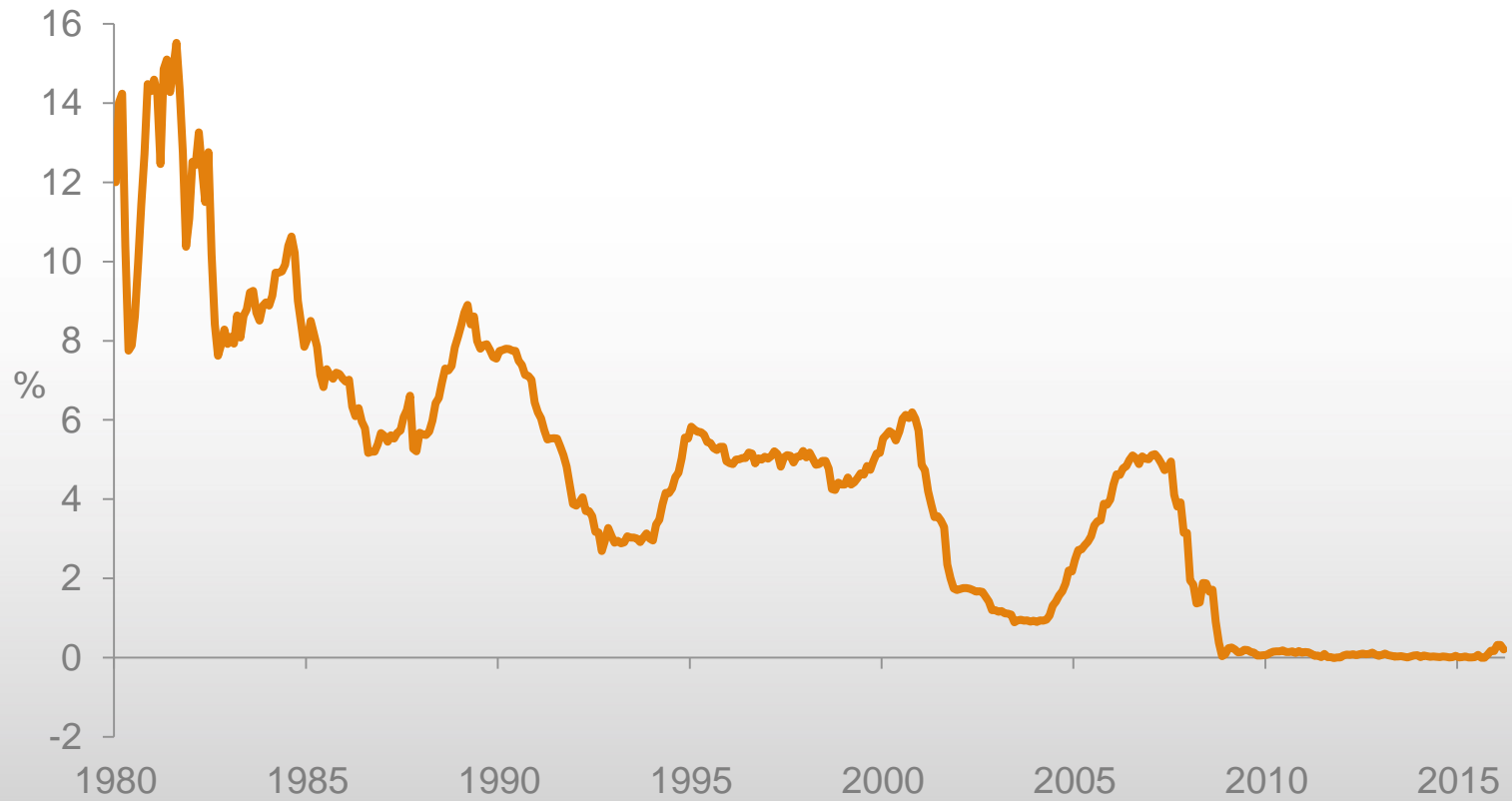
Rolling investment booms



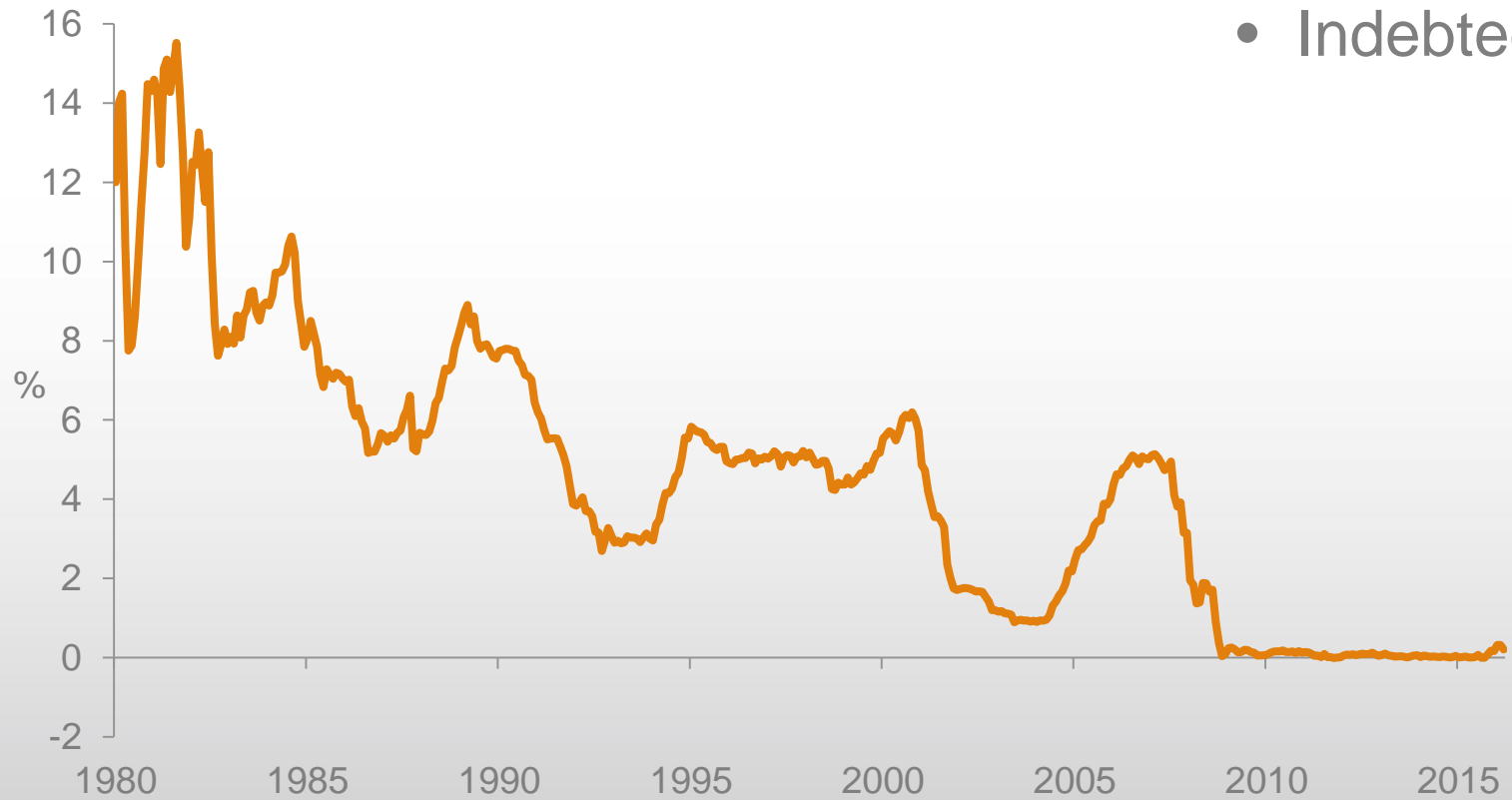
Rolling investment booms



Rates to remain low...



Rates to remain low...



- Indebtedness

Rates to remain low...

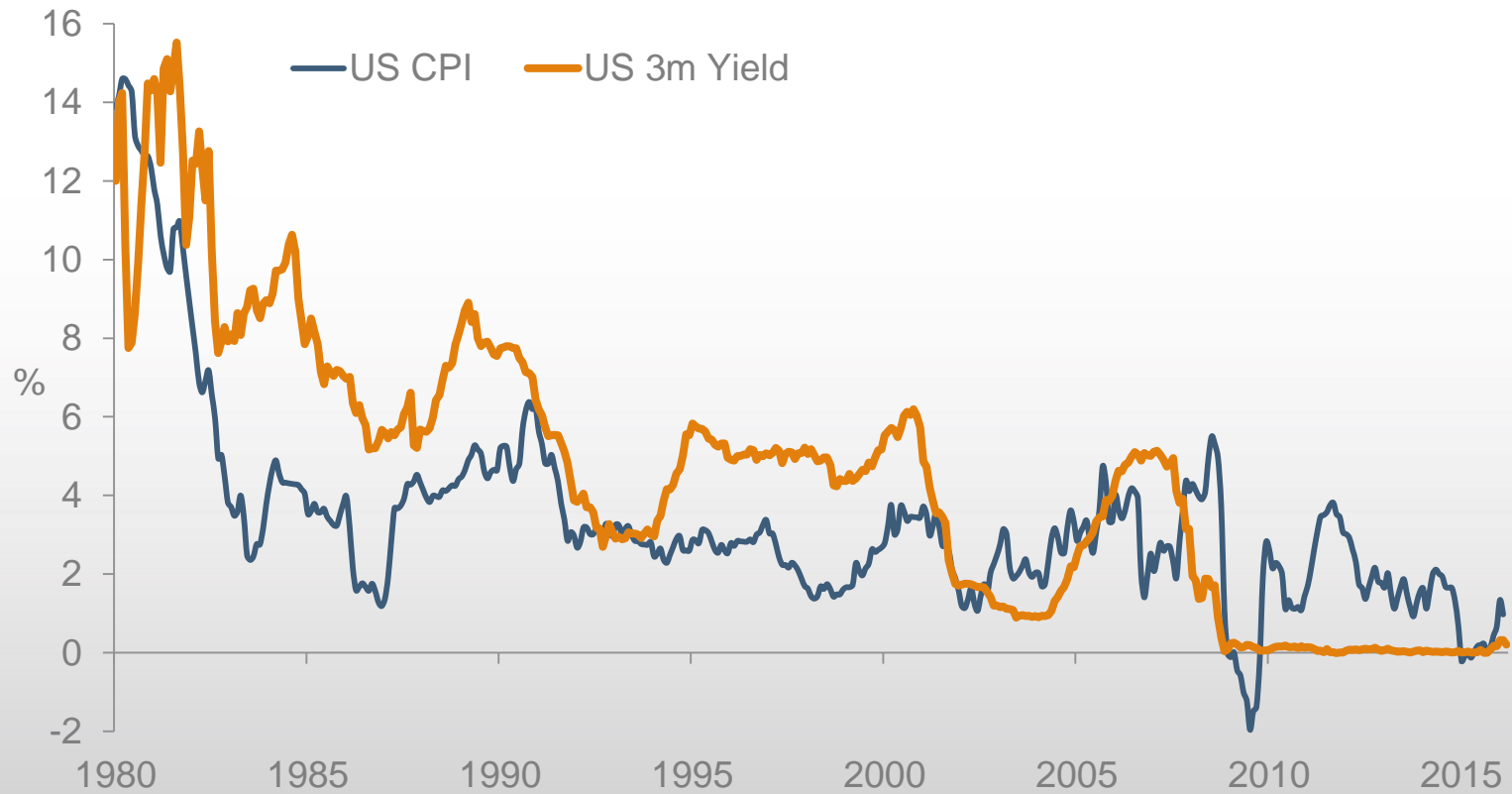


Rates to remain low...

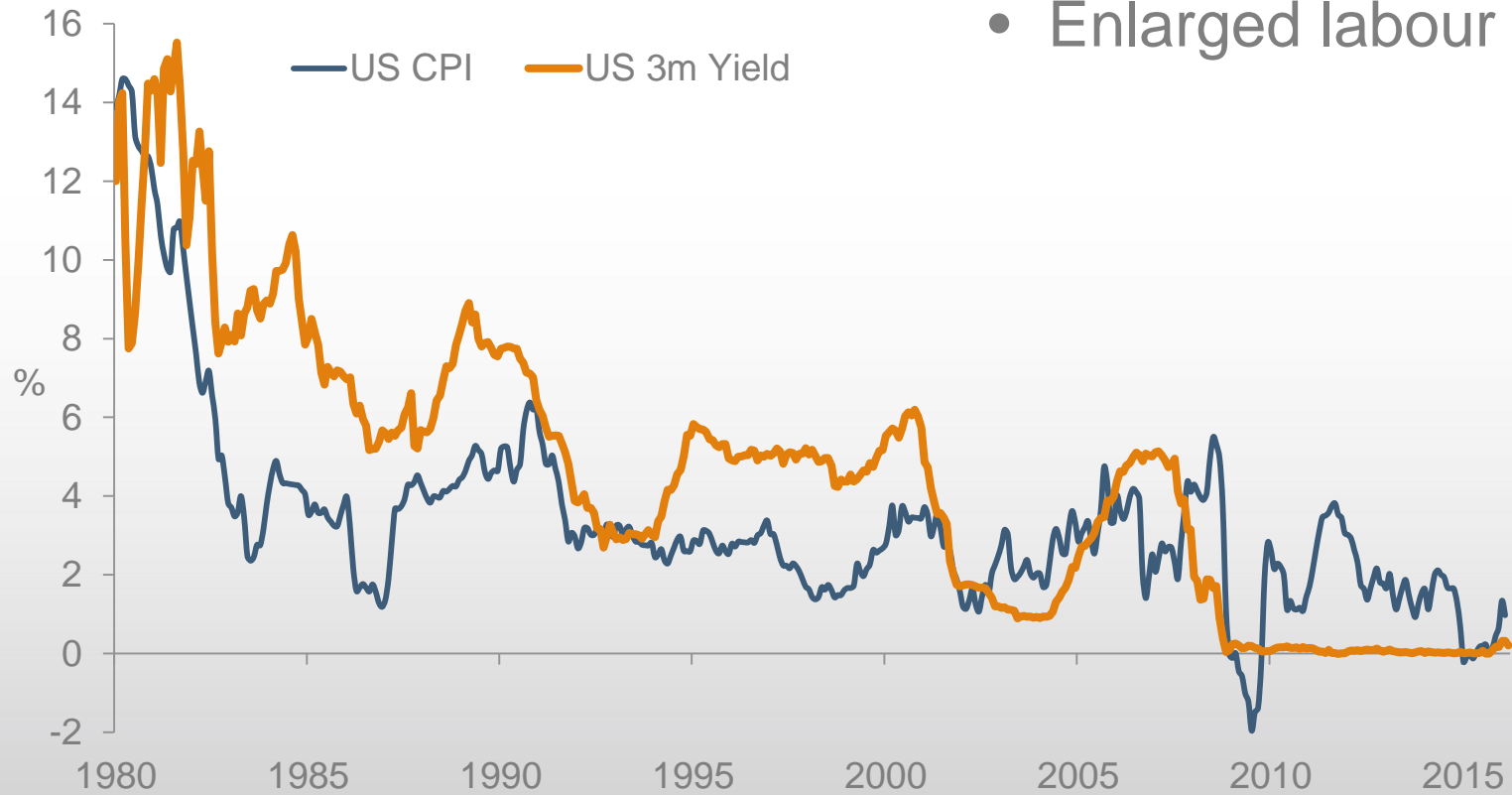


- Indebtedness
- Excess capacity
- Rising savings

Low / falling inflation

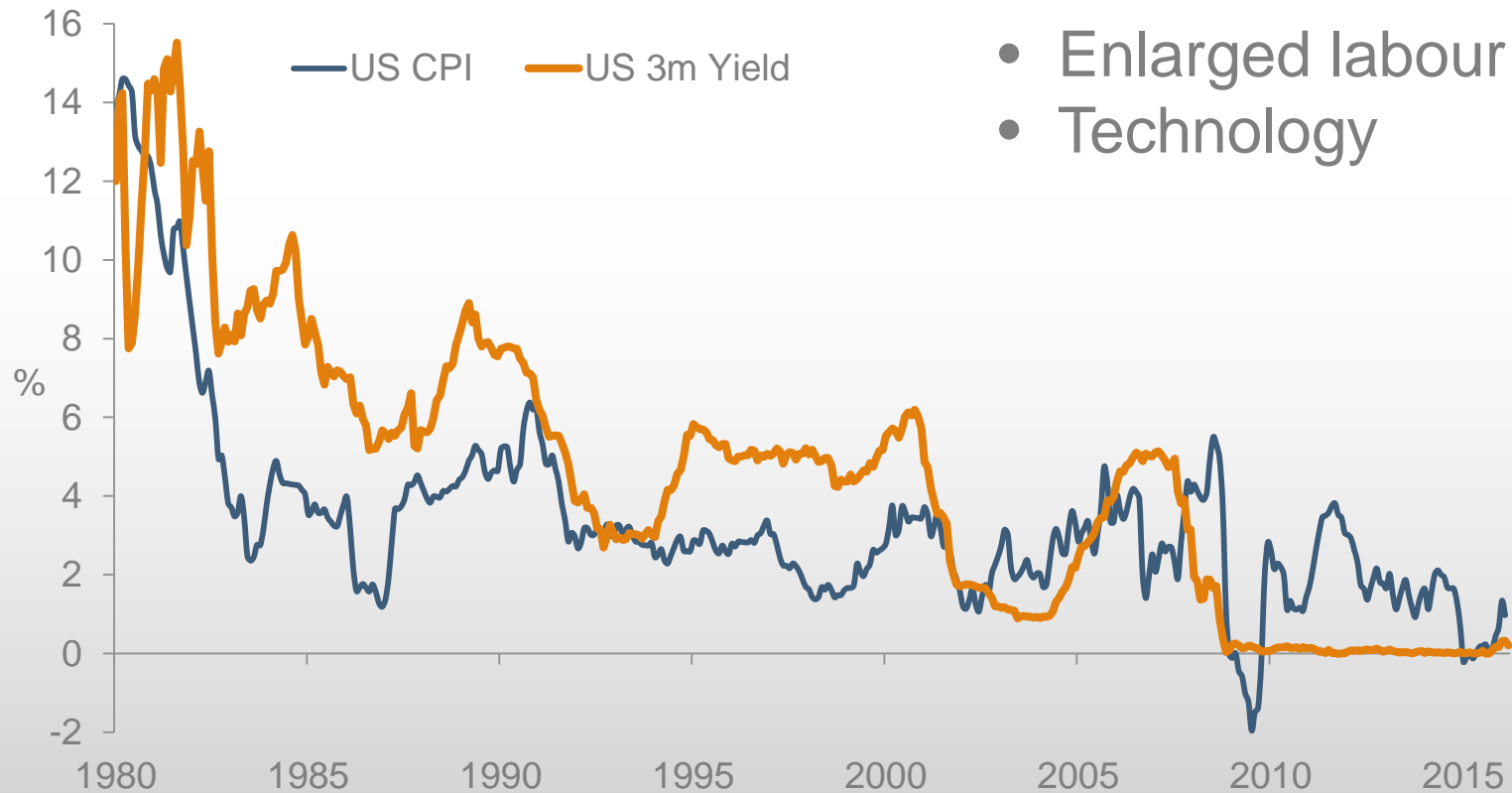


Low / falling inflation



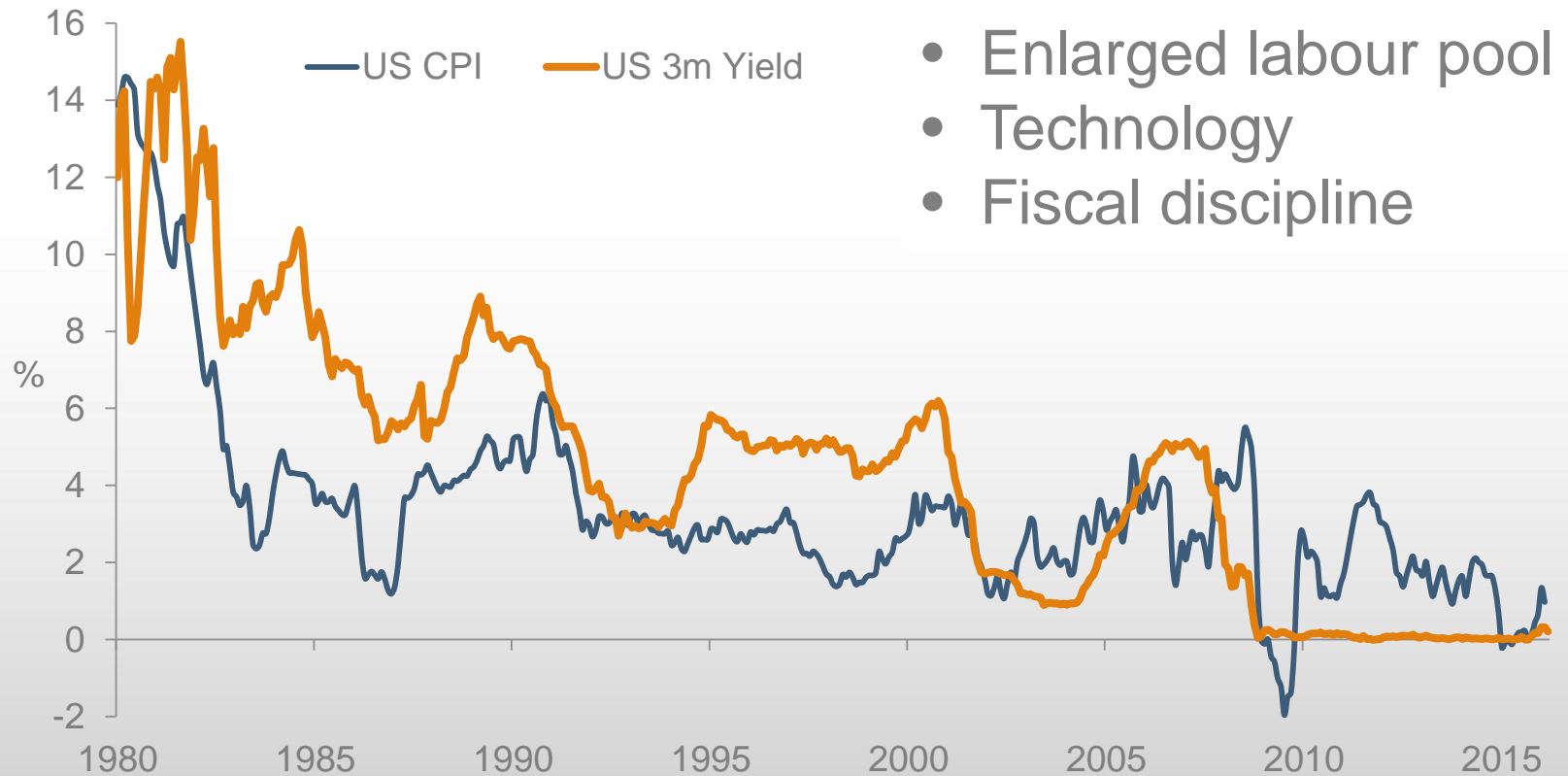
- Enlarged labour pool

Low / falling inflation



- Enlarged labour pool
- Technology

Low/ falling inflation



Historical parallels: 1890's, 1930's

US nominal bond yields – longer recovery (from peak in equity returns)



Platinum Japan Fund

30 June 1998 – 31 March 2016

	Since Inception (compound pa)
Platinum Japan Fund	14.6% pa
MSCI Japan Net Index (A\$)	1.5% pa

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Clay Smolinski, Fund Manager

Zero rates: impact on equity markets

- Retirement income?
- Valuation challenge
- Uncharted territory

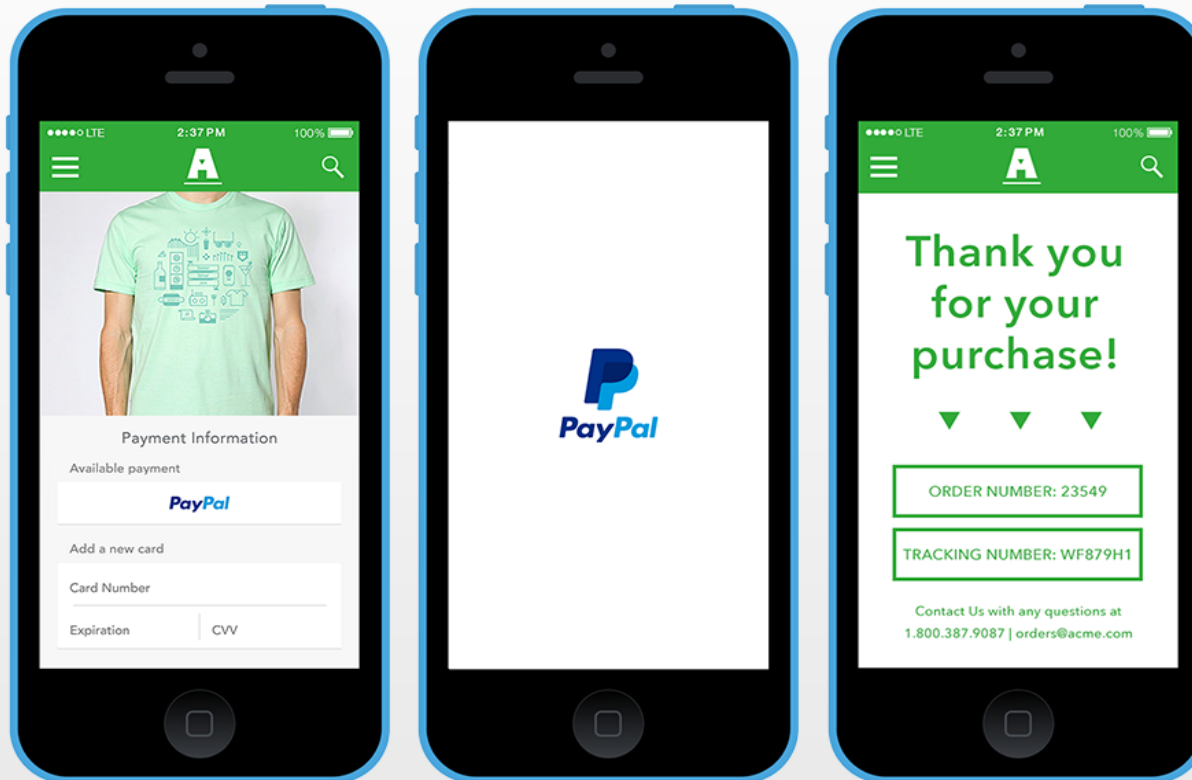
Japan as the case study



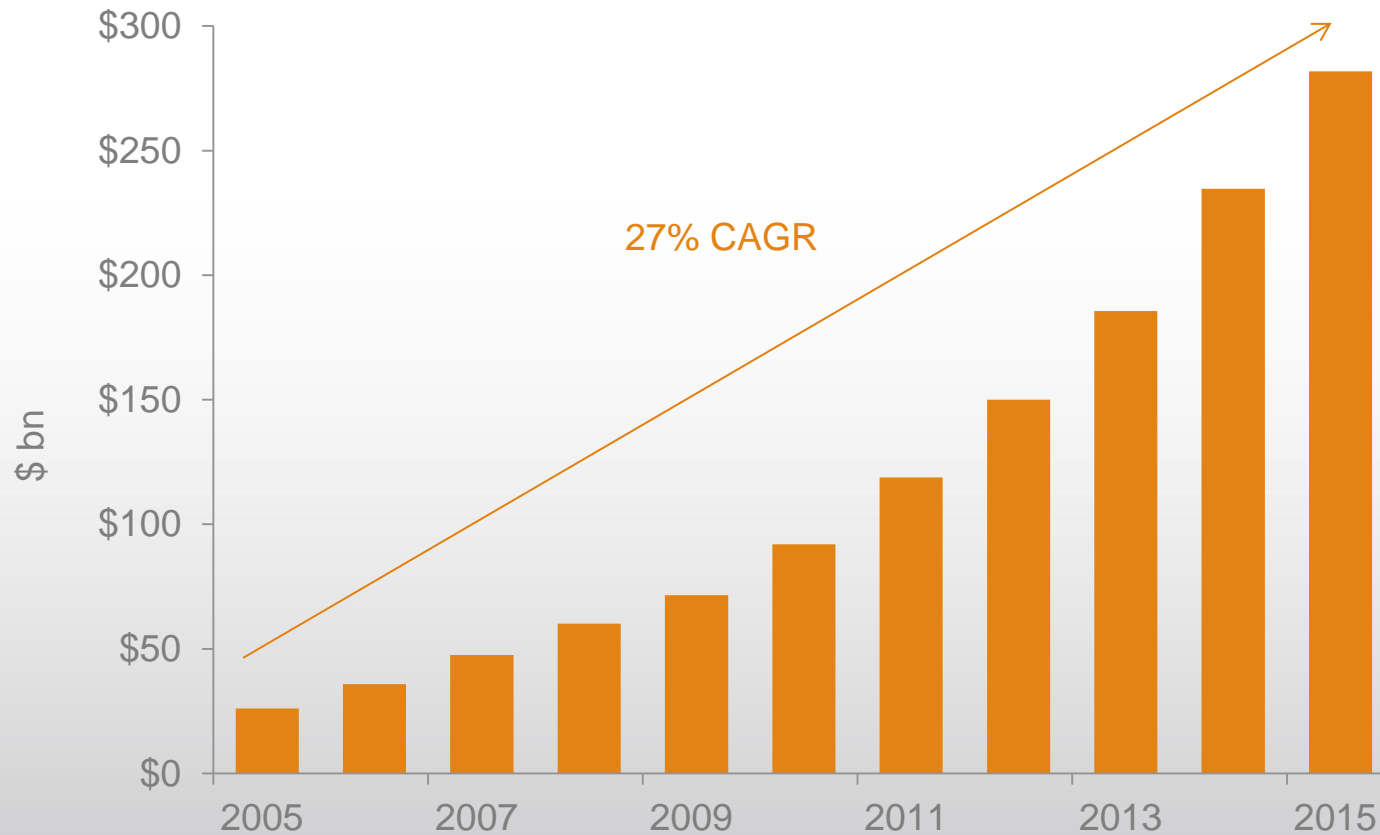
Growth worked selectively in Japan

- Simply buying the fastest growing companies did **NOT** work
- However there was a sweet spot. Buying $>7\%$ + growth at P/Es around 20X **DID** work

PayPal

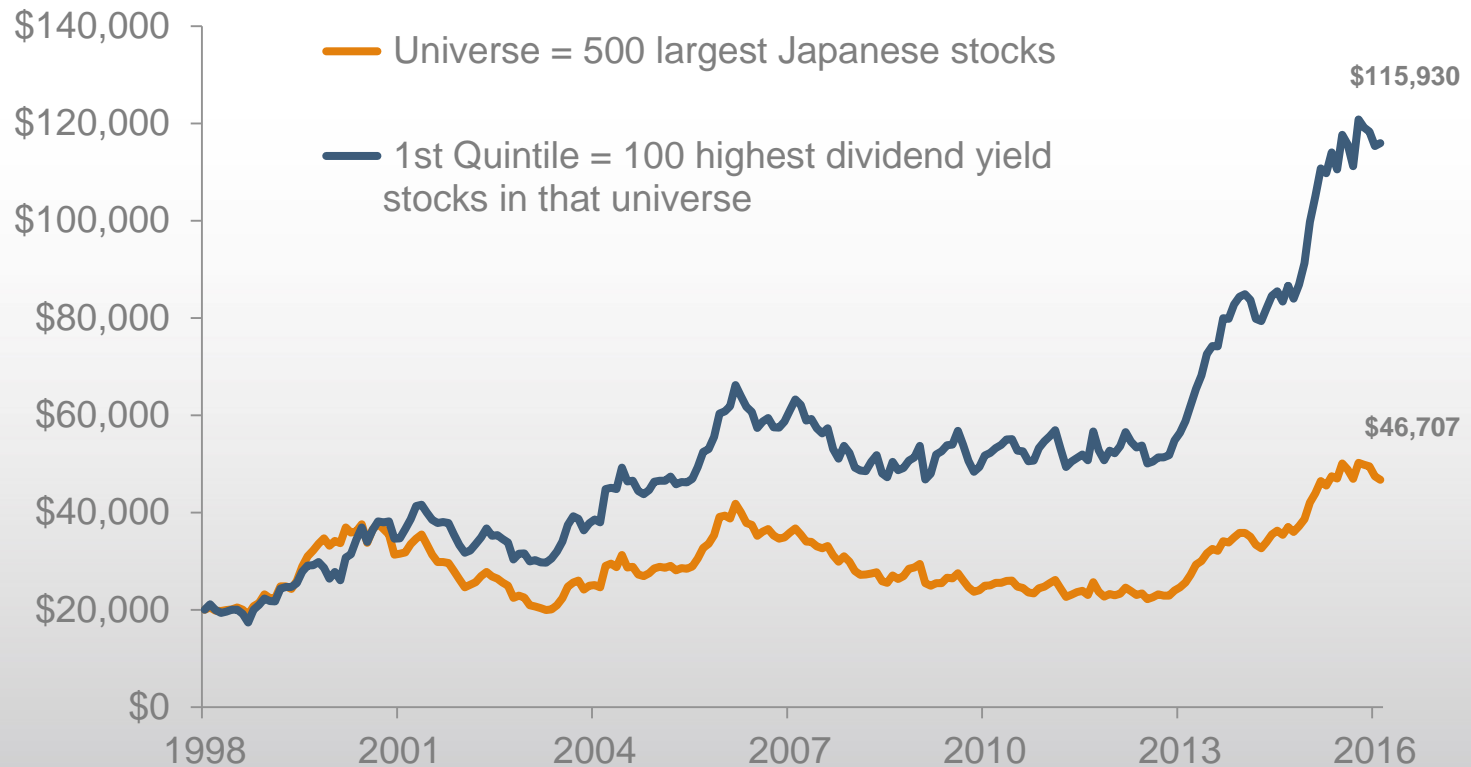


Total payment volume handled by PayPal

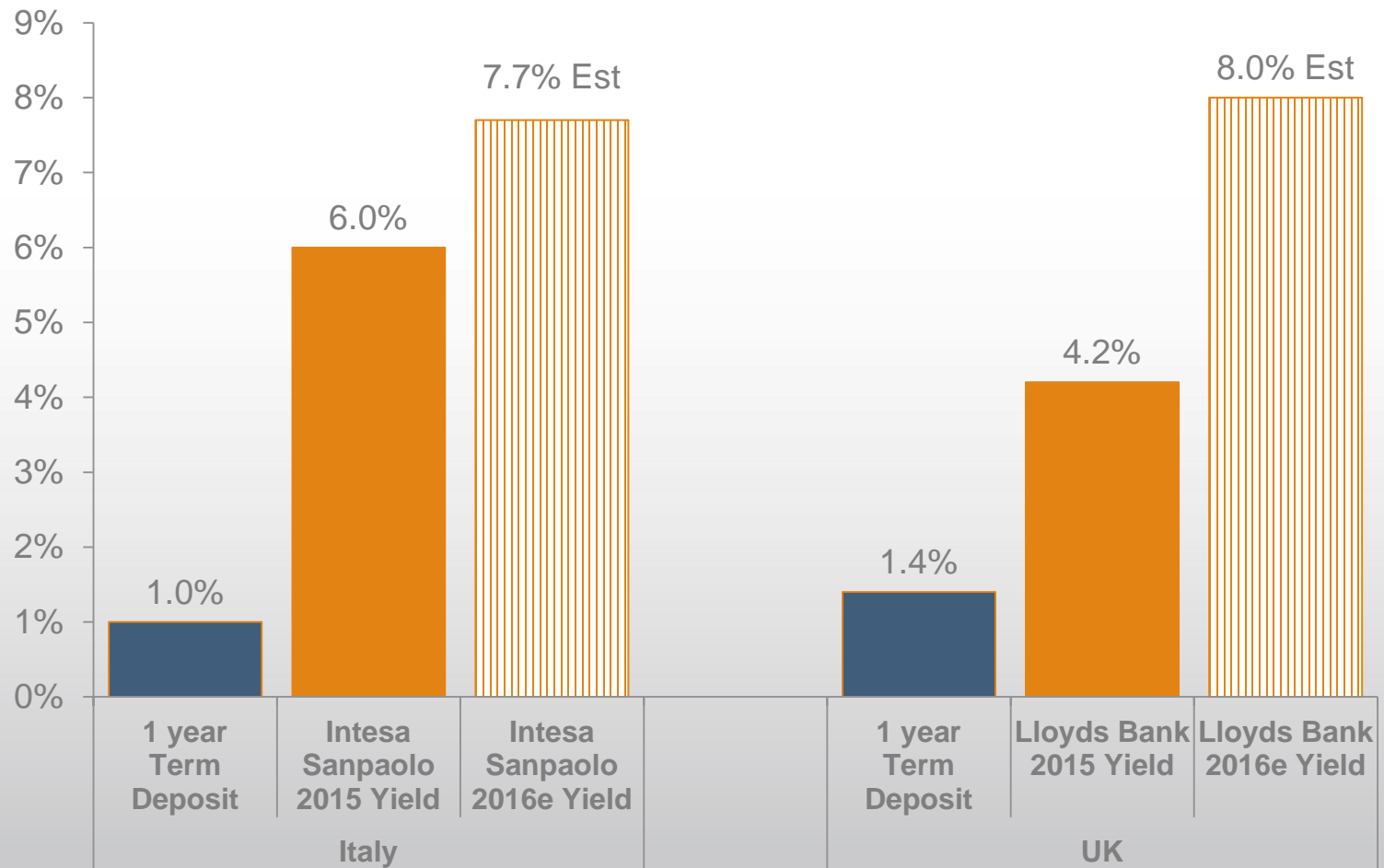


Yield delivered

Performance of A\$20,000 First Quintile Dividend Yield Portfolio



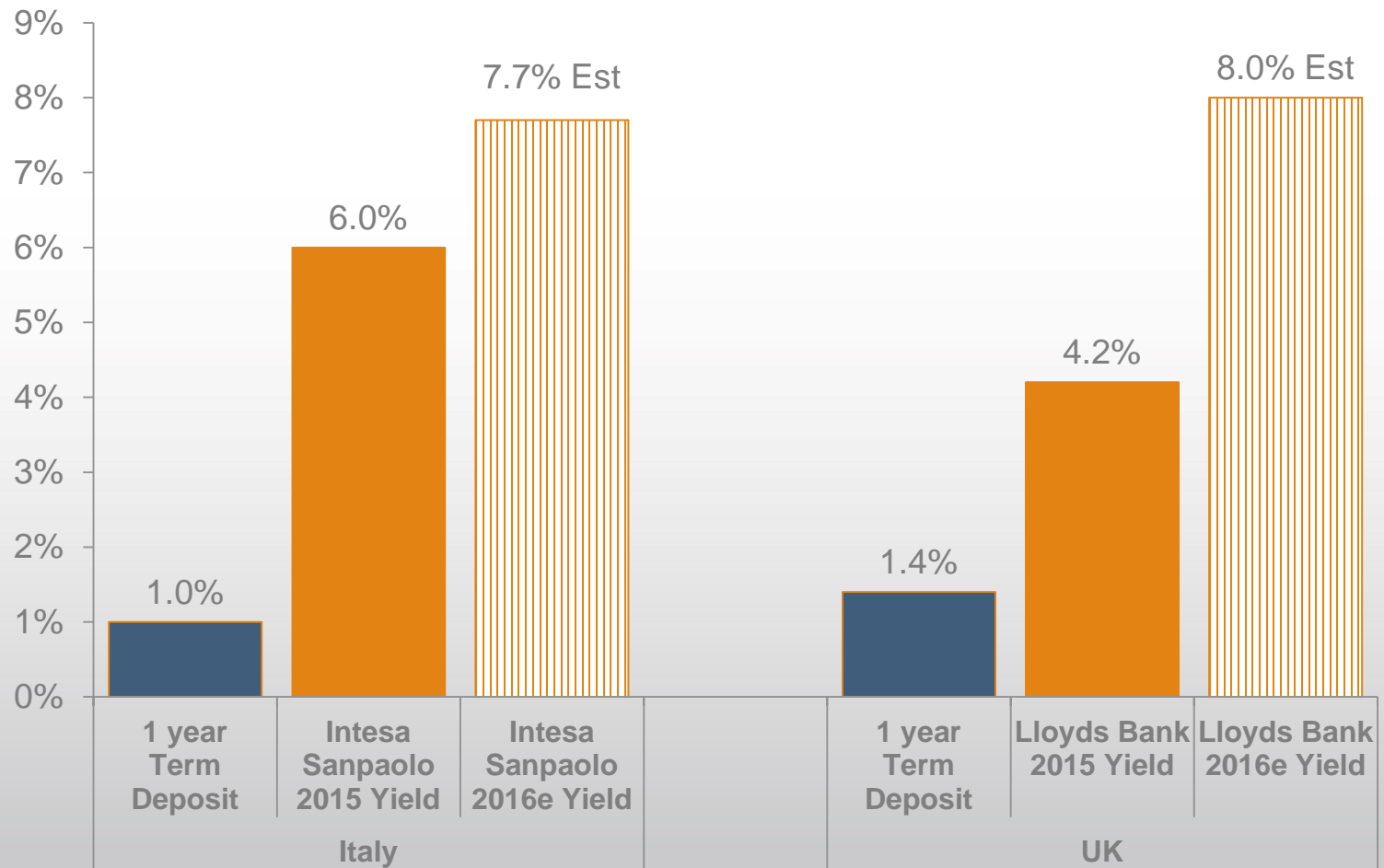
Seeking yield? -> European banks



European banks

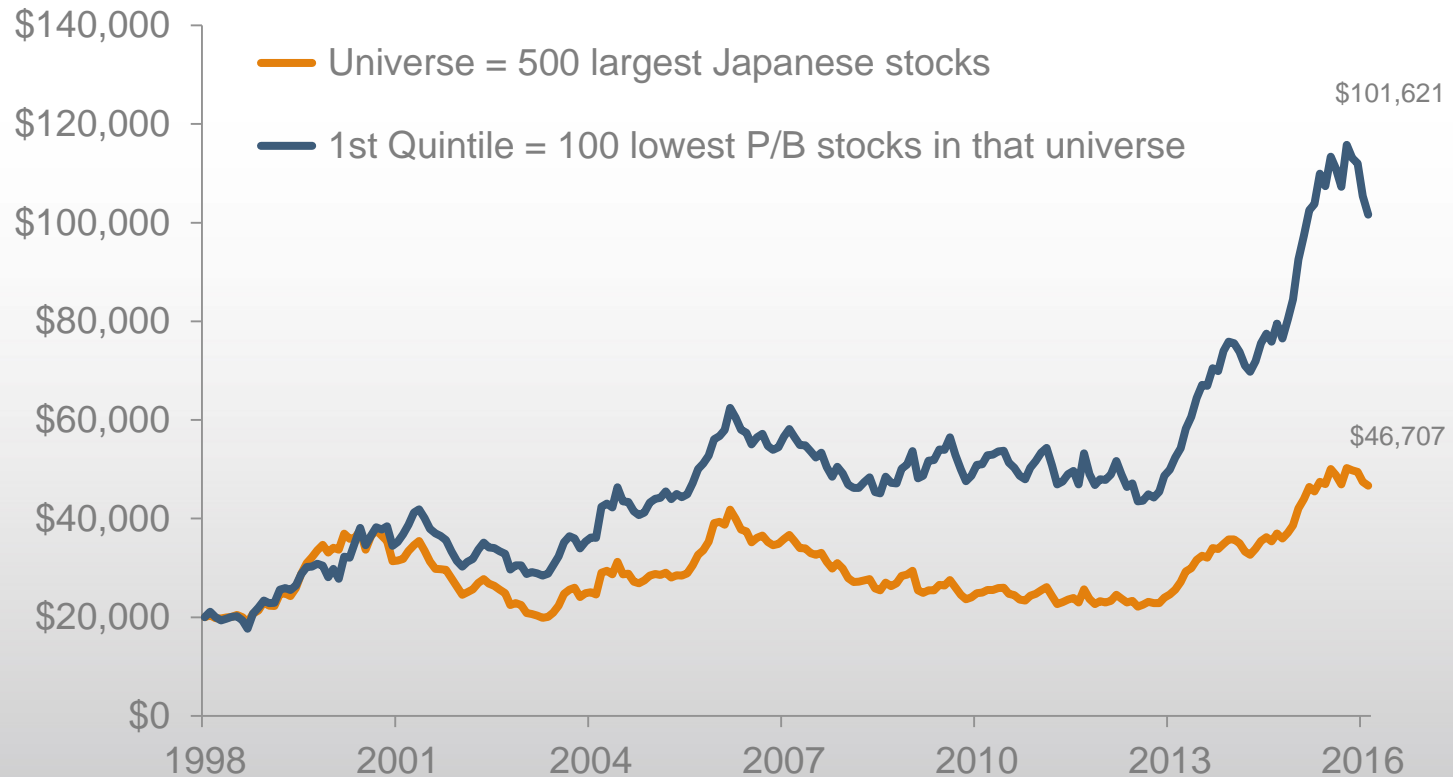


Seeking yield? -> European banks



Being contrarian worked

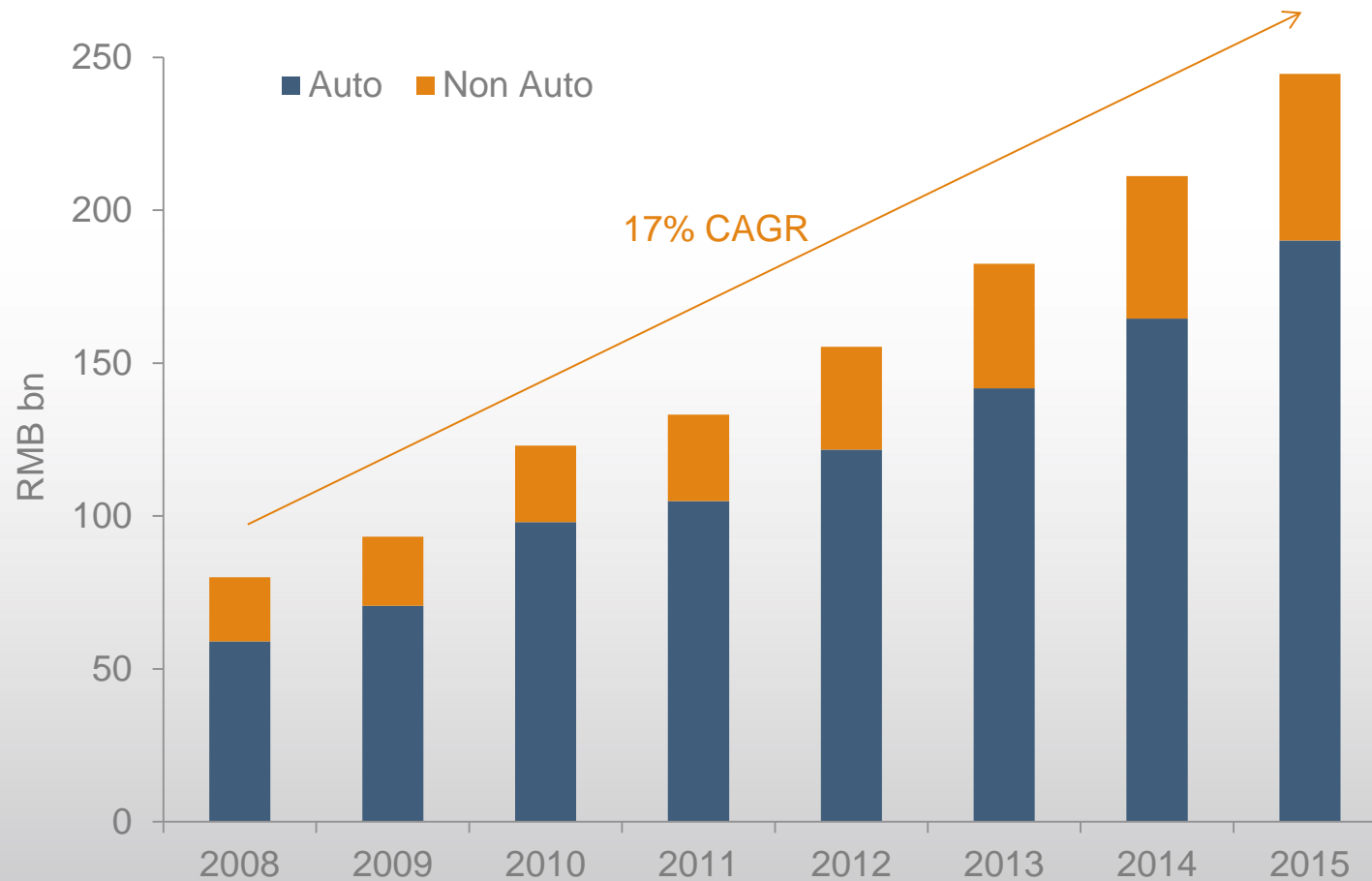
Performance of A\$20,000 First Quintile P/B Portfolio



People's Insurance Company of China



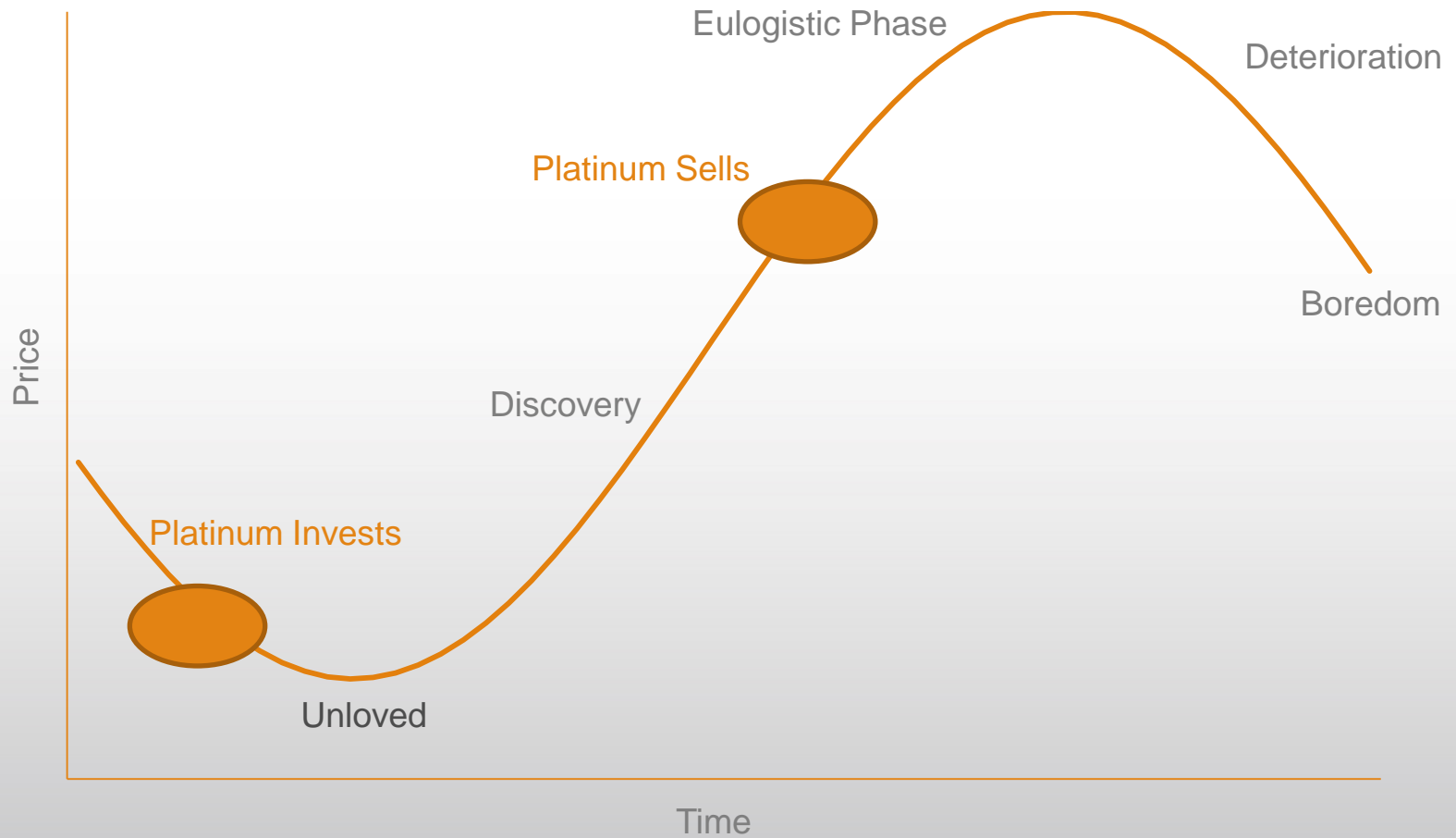
PICC net premiums earned



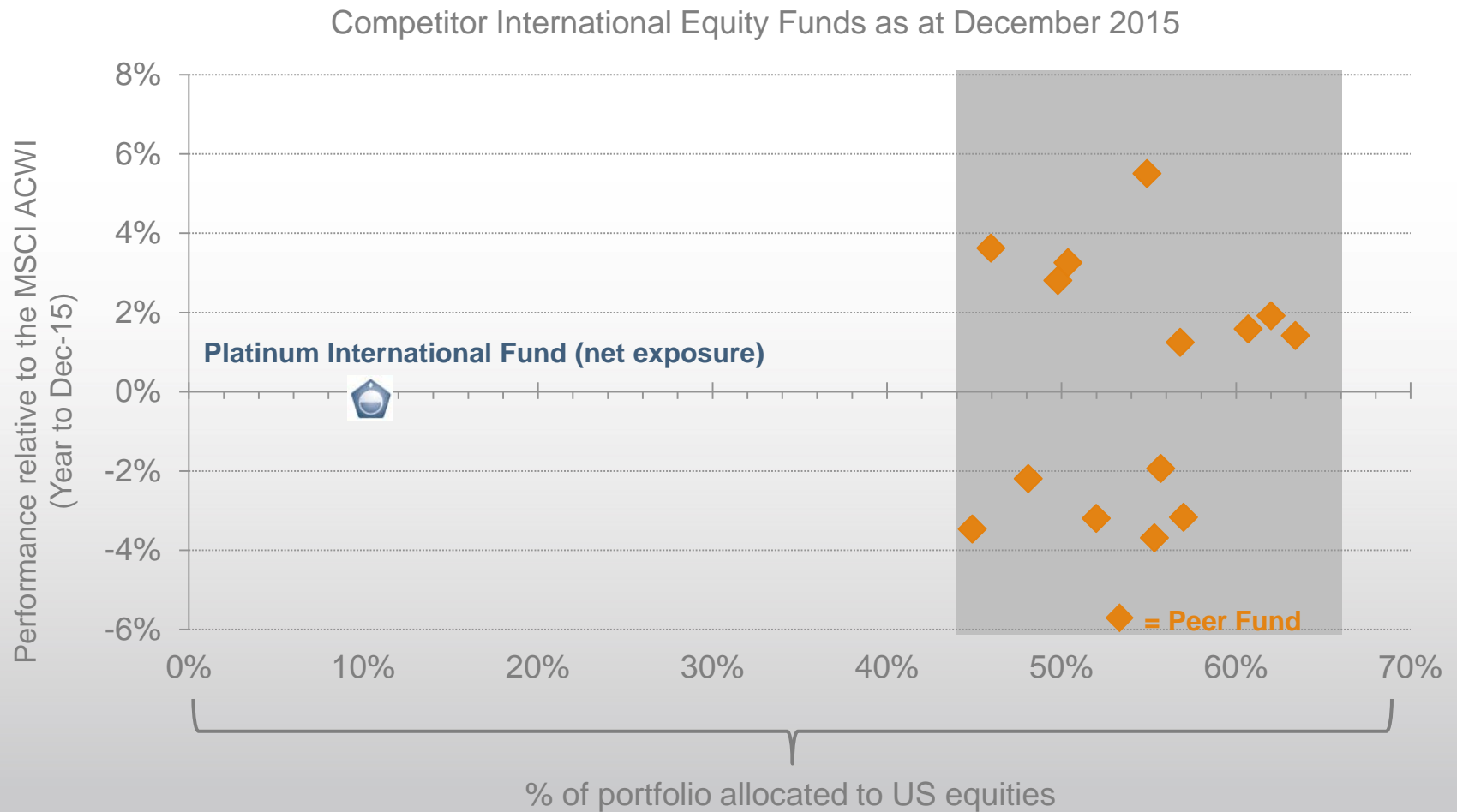
What worked in Japan?

- Growth - selectively
- Yield
- Value

Platinum's approach



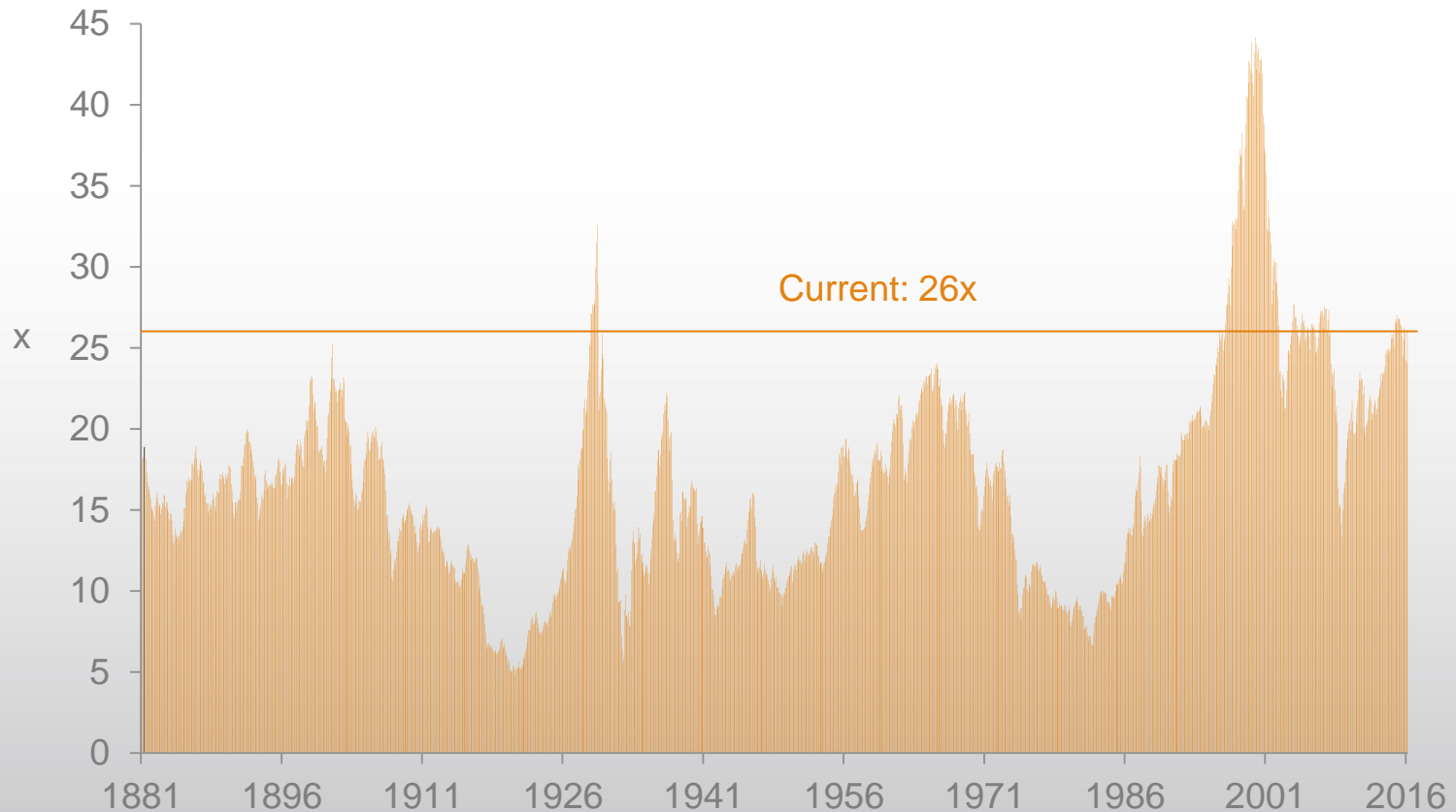
Beware the crowded trade....



Source: Platinum. Competitor data obtained from Fund or Platform websites. Funds selected are Australian registered International Equities funds with FuM >\$300mn and a long international equities bias.

Current US valuations predict low future returns

Cyclically Adjusted P/E Ratio: S&P 500



Chinese holdings



Platinum's current portfolio: key themes

Platinum International Fund, long exposure, 31 March 2016

US 22%:
Tech leaders

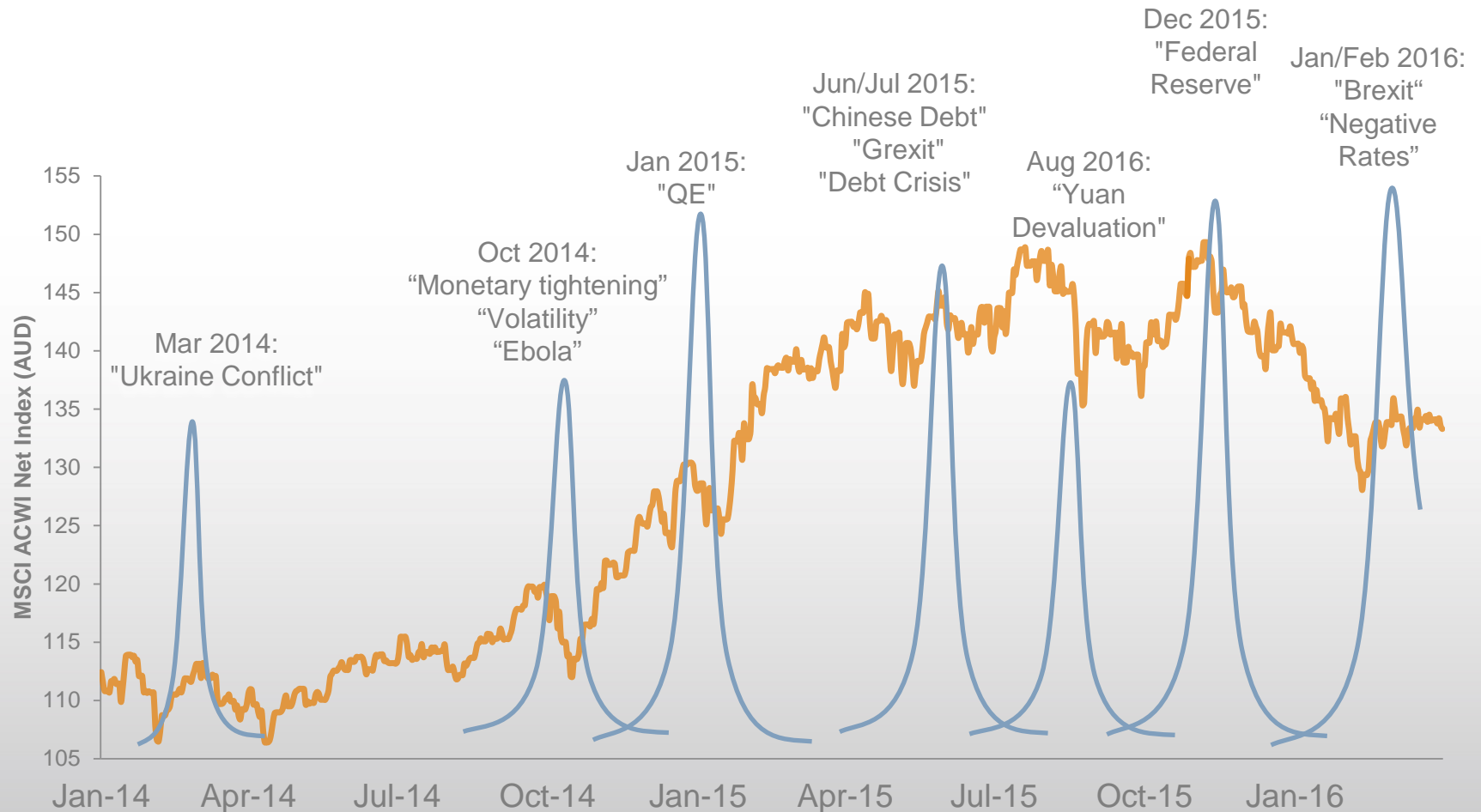
Europe 23%:
Banking
Pharmaceutical
Consumer

Asia 42%:
China consumer
India infrastructure
Japanese self-help

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Kerr Neilson, Chief Executive Officer

The shifting news obsessions



Q&A Session

Andrew Clifford, Chief Investment Officer
Clay Smolinski, Fund Manager
Kerr Neilson, Chief Executive Officer

Portfolio metrics look good vs history and market

