

# Platinum Asset Management Limited

23 February 2018



# Kerr Neilson, Managing Director

Analyst Briefing



# Management Changes

## ◆ Effective 1 July 2018;

- Andrew Clifford, Co-founder and Chief Investment Officer, will be appointed CEO.
- Andrew Clifford, together with Clay Smolinski, will also assume full portfolio management responsibilities for Platinum's global equity funds and mandates (including the flagship Platinum International Fund).
- Kerr Neilson will continue as full time executive director and member of the investment team. Kerr will continue to;
  - ✓ focus on investment ideas and company research
  - ✓ support Platinum's client diversification initiatives in Europe and the US.



# Business Highlights

6 months to December 2017

- ◆ Improved investment performance continued during first half. Validation of both process and research quality. Continued strengthening of in-house capabilities.
- ◆ Closing Dec-17 FuM of 27.1B, up 19% on Jun-17 and 17% on Dec-16.
- ◆ Net inflows of \$0.9B led by Platinum Trust Funds and supported by new and overseas products (QMFs and UCITS).
- ◆ Encouraging progress on European and US distribution initiatives. However, long lead times for this to become a meaningful contributor to group profits.
- ◆ Expenses generally well controlled, with the 14% increase in non staff costs mostly attributable to product development and marketing related initiatives.
- ◆ Earnings per share up 13% on Jun-17 half, and 7% on prior year.
- ◆ Interim fully franked dividend of 16 cps.



# Investment Performance

As at 31 December 2017

Performance of major Platinum Trust Funds (December-17)		1 year	5 year	10 year	Since Inception	FuM (A\$b)
<b>International Fund</b> (PM's: KN, AC, CS)	- Absolute Return	25.1%	17.9%	9.2%	13.1%	11.4
	- Relative Return	+10.3%	+0.6%	+3.3%	+6.4%	
<b>Asia Fund</b> (PM: JL)	- Absolute Return	35.3%	16.3%	8.3%	15.8%	5.0
	- Relative Return	+4.1%	+2.1%	+3.3%	+4.9%	
<b>International Brands Fund</b> (PM: JH)	- Absolute Return	29.5%	15.0%	11.2%	13.2%	0.9
	- Relative Return	+14.7%	-2.3%	+5.3%	+10.4%	
<b>Japan Fund</b> (PM: SG)	- Absolute Return	22.1%	26.5%	13.1%	15.4%	0.8
	- Relative Return	+7.3%	+8.9%	+8.8%	+12.6%	
<b>European Fund</b> (PM: ND)	- Absolute Return	26.0%	16.6%	10.0%	12.3%	0.9
	- Relative Return	+10.0%	+3.4%	+7.8%	+9.3%	
<b>Health Care Fund</b> (PM: BO)	- Absolute Return	13.6%	18.7%	11.4%	9.4%	0.2
	- Relative Return	+2.4%	-1.8%	+1.1%	+0.8%	
<b>Unhedged Fund (long only)</b> (PM: CS)	- Absolute Return	31.5%	19.8%	10.8%	12.2%	0.3
	- Relative Return	+16.8%	+2.6%	+4.9%	+5.2%	
<b>Subtotal (A\$b)</b>						<b>19.5</b>
<b>% of Total FuM</b>						<b>72%</b>

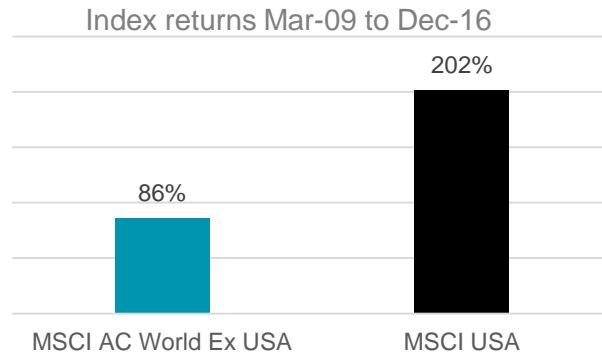
Portfolio Managers: KN=Kerr Neilson, AC = Andrew Clifford, CS=Clay Smolinski, JL= Joe Lai, JH=Jamie Halse, SG=Scott Gilchrist, ND= Nik Dvornak, BO = Bianca Ogden

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 Funds' PDS No 11 dated 3 July 2017 for C Class, P Class and E Class.

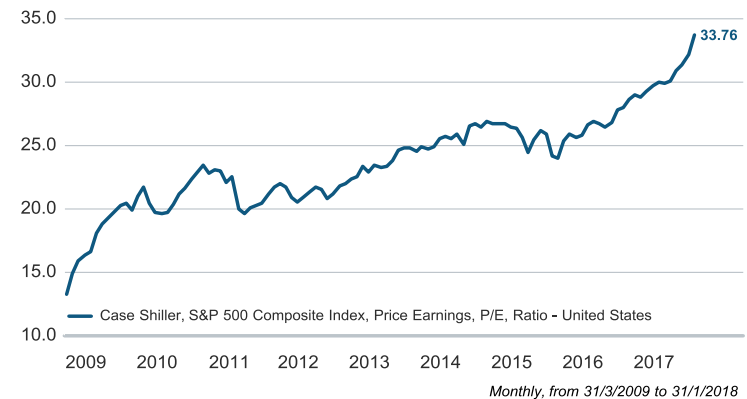


# Key Industry Themes

The USA has dominated post-GFC markets....



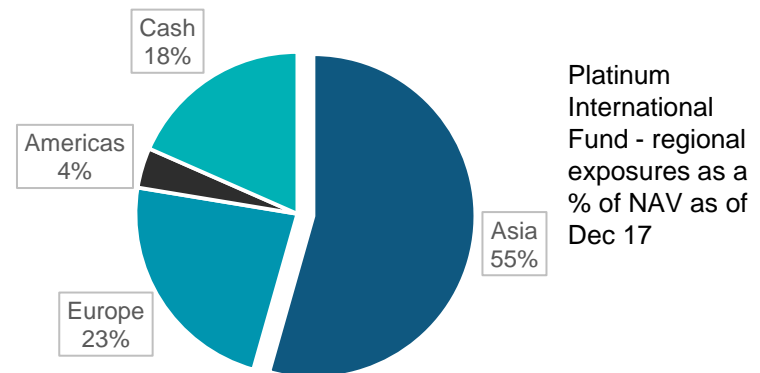
...incurring a hefty price tag in doing so



The market is now recognising global opportunities...

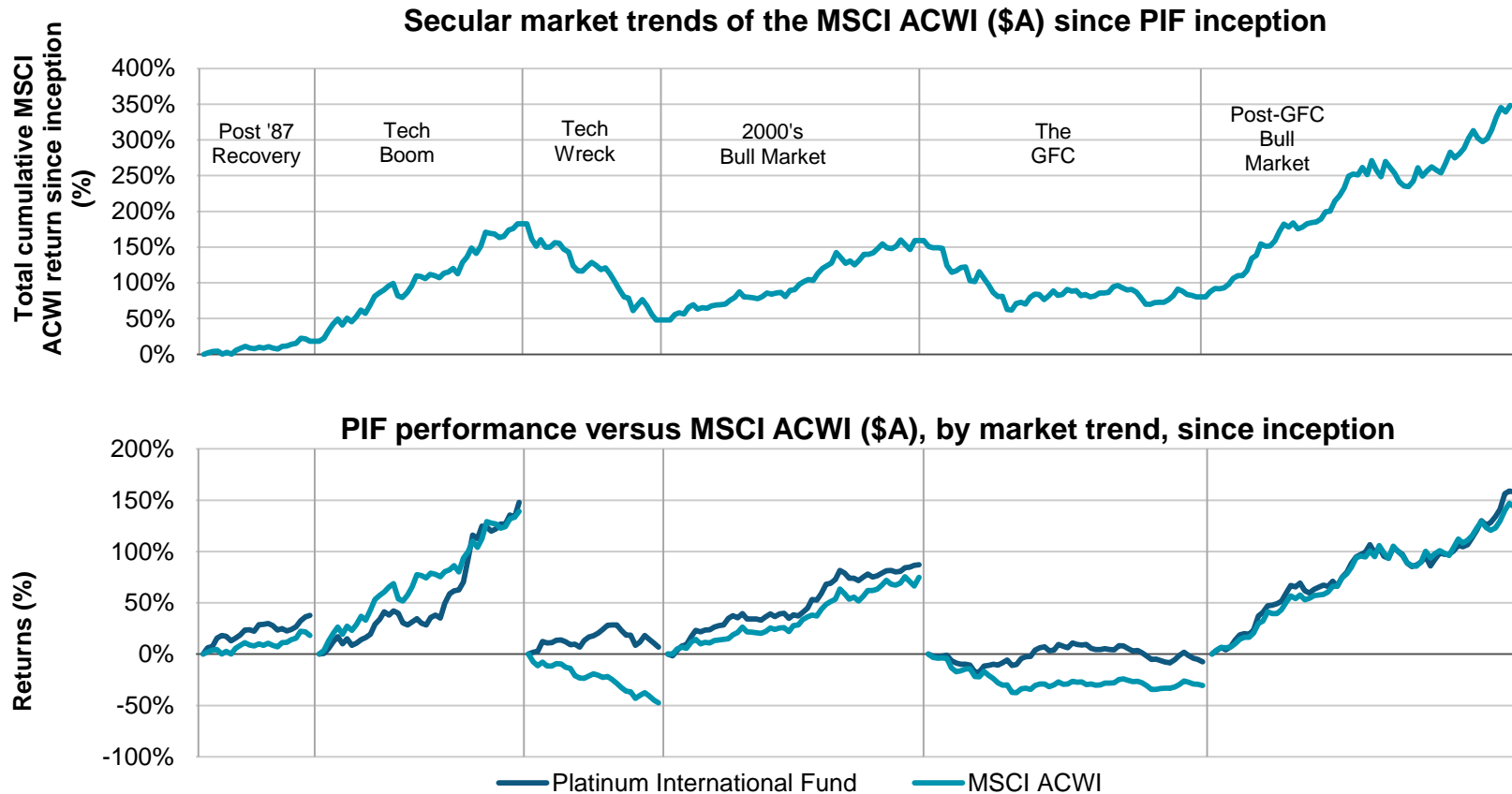


...where we are well positioned



# Platinum International Fund

Consistently outperforming in both bull and bear markets, since 1994



Source: Platinum (fund returns), Factset Research Systems (MSCI returns). Returns are cumulative. Platinum International Fund (PIF) returns are calculated using the NAV unit price for C Class, represent the combined income and capital returns over the specified period, are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. The MSCI returns assume the reinvestment of dividends from constituent companies and do not reflect fees and expenses. The net MSCI index is used, except the gross MSCI index was used prior to 31 December 1998. Historical performance is not a reliable indicator of future performance.



# Portfolio Positioning: Where we are...

Funds are well positioned to benefit from several key themes



## Key Themes

Dangerous extrapolation of corporate profits: 14% long & 3% net exposure

Underappreciated growth: Chinese consumer & Indian infrastructure

Exaggerated demise: Europe & Japan





# Portfolio Positioning: Where we are...

...and several key sectors



## Key Sectors

Trimming ageing and well understood US tech plays

Component materials for an electric vehicle market ready to take off: e.g. Glencore

Under-appreciated quality and growth in energy: e.g. Inpex, Technip & Shell



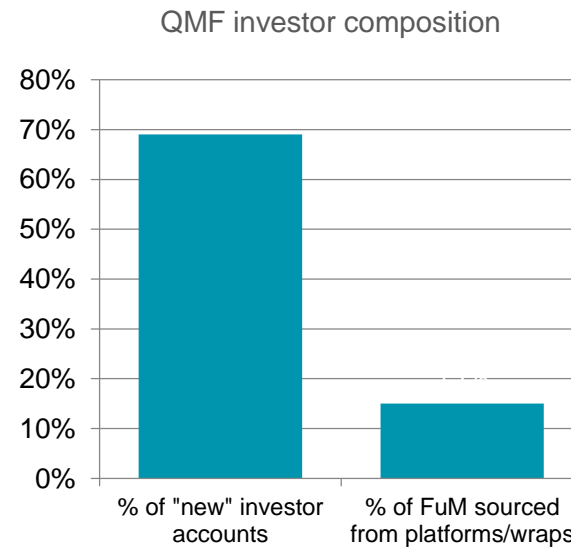
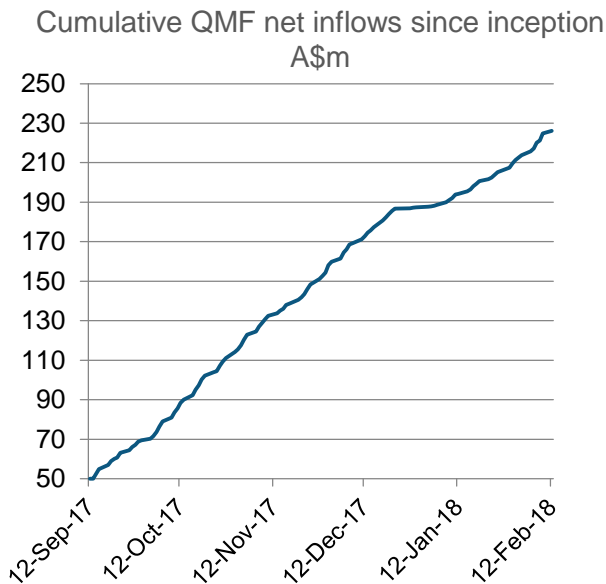
# Update on Key Business Initiatives

- ◆ New ASX Quoted Managed Funds (QMFs) have gained good traction since launch, raising circa A\$200m to date and  $\approx 4,000$  investors\*. We have also used the launch as a branding opportunity with a targeted advertising campaign.
- ◆ European UCITS continue to attract interest (FuM  $\approx$  A\$0.4b\*\*). Plans to establish a London sales office to better support European clients are well advanced.
- ◆ New US distribution arrangement has commenced with initial roadshows to prospective US institutional clients scheduled.
- ◆ New website was successfully launched in November 2017. Includes new client secure site features. Commitment to ongoing development to enhance new and existing client experience.
- ◆ Increased adviser engagement with key dealerships, and also via the FPA.



# Quoted Managed Funds (PIXX and PAXX)

- Exciting new industry innovation: structured as feeder funds into the existing \$11bn\*, 22+ year history, Platinum International Fund and \$5bn\*, 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.
- Progress since quotation has been very encouraging:  
≈\$230m net inflows, ≈4,000 additional investors, ≈2/3rds of investors new\*\* to Platinum.



\* Source: Platinum. As at 31 December 2017

\*\* Analysis based Jan-18 data. The definition of a "new" investors refers to those who are not already on the register of the Platinum Trust Funds, Platinum Global Fund, Platinum's listed investment companies (PAI and PMC) or Platinum Asset Management Limited. The definition excludes "new" QMF investors who have invested via a platform/wrap and who cannot be separately identified.



# Outlook

## ◆ **The business is well placed...**

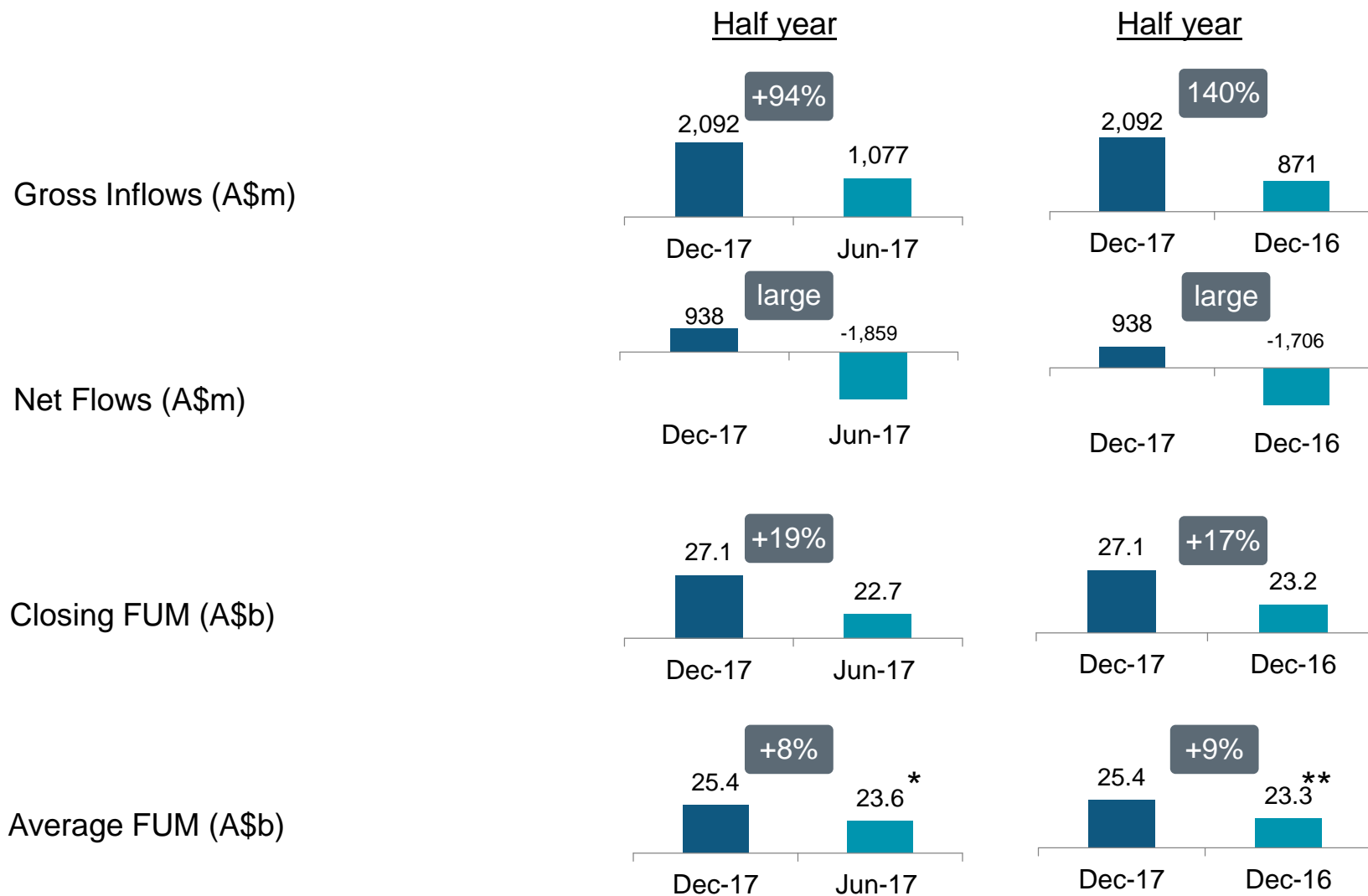
- Strong position in Australian retail market. Style differentiation really matters.
- Desire for higher foreign equity exposure continues to increase in Australia.
- New offshore initiatives provide a platform for growth over the medium term.

## ◆ **...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.
- Global growth should continue to widen stock dispersion window – favouring active management.



# Flows & Funds Under Management



Source: Platinum.

\* Monthly average for the 6 month period to 30 June 2017. FUM excludes impact of annual distributions.

\*\* Monthly average for the 6 month period to 31 December 2016.



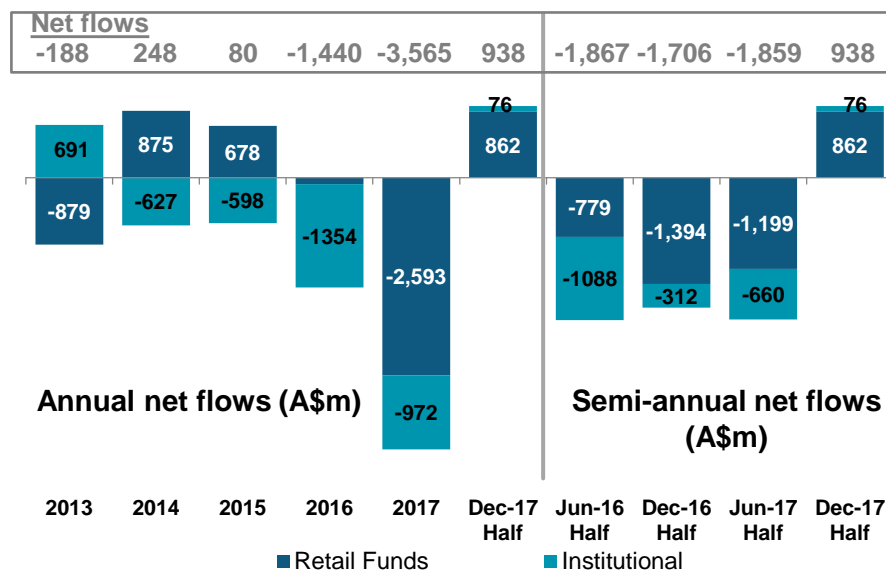
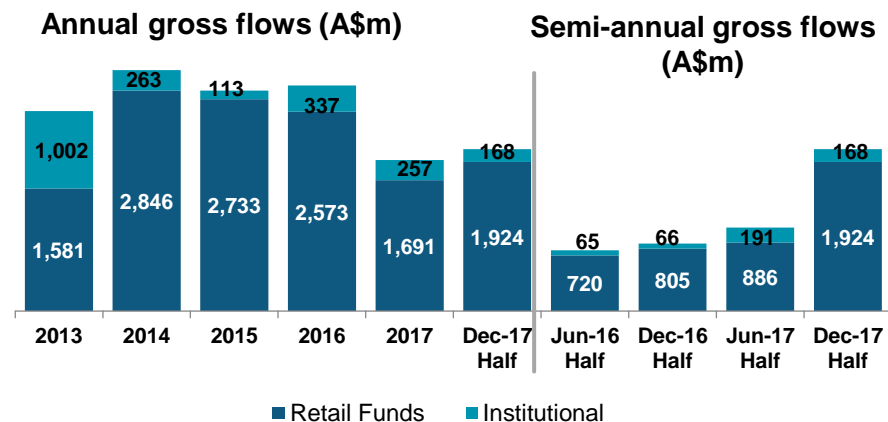
# Flows

## Gross Flows

- Gross flows for the 6 months to Dec-17 exceeded flows for the full year to Jun-17.
- Gross flows in Dec-17 half included 3 months of QMF flows (+\$187m) and strong retail\* fund inflows (+\$1,737m).
- Strong absolute and relative performance were both positives for advisor sentiment
- Also contributing was the effect of new product launches, the new website and a targeted advertising campaign.

## Net Flows

- Substantial net-flows of \$938m in the Dec-17 half
- 29% of net inflows came from new and overseas products (QMFs and UCITS).
- Retail fund flows broadly based with PIF & PAF contributing \$400m\*\*, PEF & PJF contributing \$327m, and QMFs contributing \$187m.
- A small number of large Platinum Trust Fund investors (FuM \$1.1b) elected to switch to a performance fee during the Dec-17 half. No other large scale switches are anticipated at this time. Retail switches have been modest (<\$20m in first 6 months).



Source: Platinum.

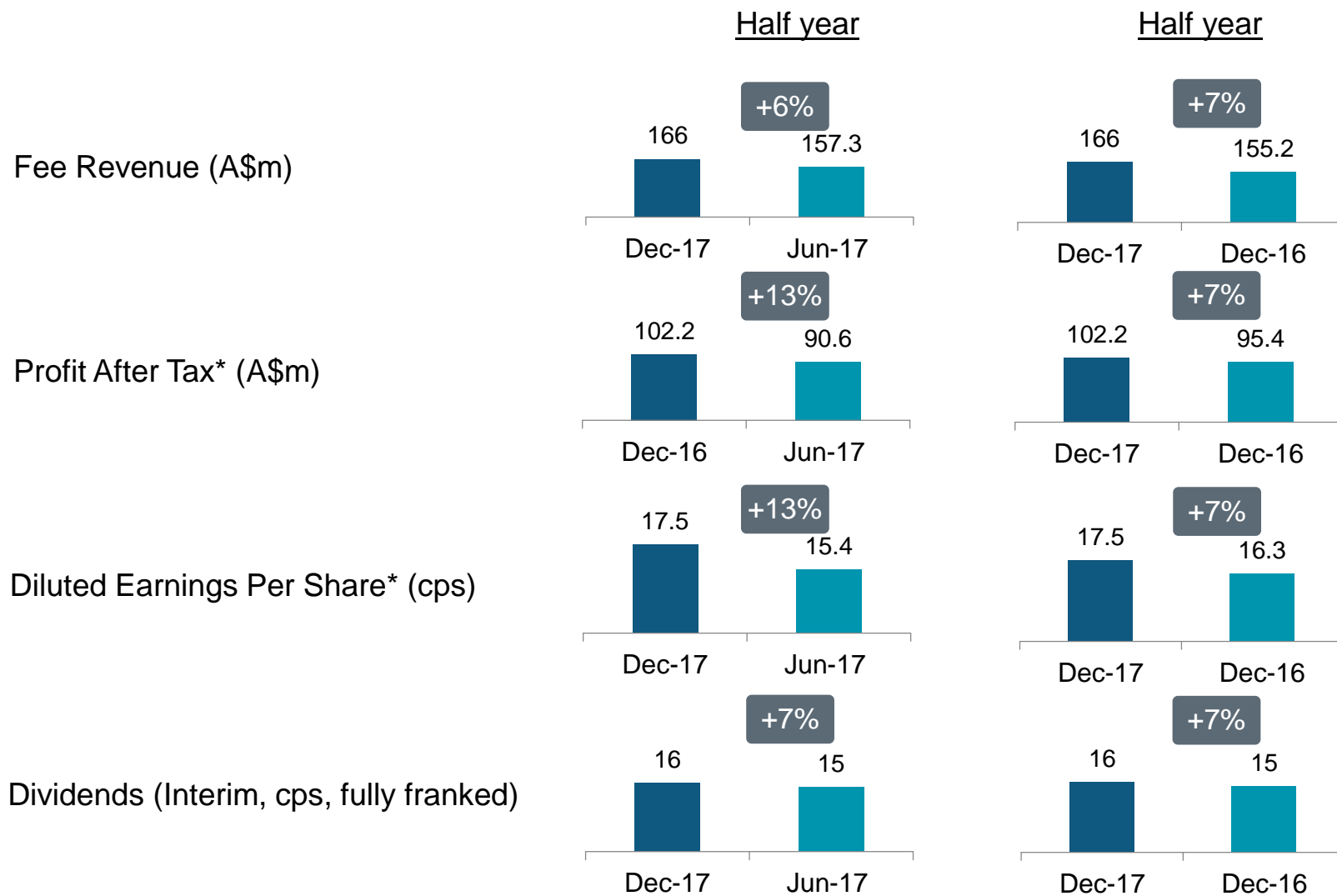
\* "Retail Funds" includes Platinum Trust Funds, Platinum Global Fund, Platinum Asia Investment Limited, Platinum Capital Limited, MLC Platinum Global Fund.

"Institutional" includes institutional performance fee investors within retail funds, mandates and US\$ denominated investment products.

\*\* Excluding QMF and institutional client flows.



# Operating Results



Source: Platinum.

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



# Revenue Analysis

As at 31 December 2017

	DEC-17 H (\$M)	JUN-17 H (\$M)	\$ VAR. (\$M)	DEC-16 H (\$M)	\$ VAR. (\$M)	COMMENT
Average FuM (\$B)	25.4	23.6	1.8	23.3	2.1	
Average Fee* (bps)	114	133	(19)	132	(18)	Platinum Trust Funds repricing
Management and admin fees	145.2	156.6	(11.4)	154.3	(9.1)	Net impact of higher FuM and fee reductions
Performance fees	20.8	0.7	20.1	0.9	(19.9)	Mostly absolute return mandates
<b>Sub-Total: Fee Revenue</b>	<b>166.0</b>	<b>157.3</b>	<b>8.7</b>	<b>155.2</b>	<b>10.8</b>	
Interest income	1.9	2.5	(0.6)	1.8	0.1	Lower cash balances and rates
Gain on PAI holding	7.3	3.8	3.5	1.3	6.0	\$7.3m comprises \$6.8m equity accounted gain and \$0.5m dividend received.
Gain on UCITS holding	5.9	8.1	(2.2)	3.4	2.5	Equity accounted mark-to-market gain
Gain on PIXX/PAXX** holdings	4.8	-	4.8	-	4.8	PAXX is consolidated, PIXX is held at fair value
FX gains	-	0.1	(0.1)	0.1	(0.1)	US\$ investment now closed
<b>Sub-Total: Other Income</b>	<b>19.9</b>	<b>14.5</b>	<b>5.4</b>	<b>6.6</b>	<b>13.3</b>	
<b>Total Revenue</b>	<b>185.9</b>	<b>171.8</b>	<b>14.1</b>	<b>161.8</b>	<b>24.1</b>	





# Expense Analysis

As at 31 December 2017

	DEC-17 H (\$M)	JUN-17 H (\$M)	\$ VAR. (\$M)	DEC-16 H (\$M)	\$ VAR. (\$M)	COMMENT
Staff costs, incl. share based payments expense <sup>(1)</sup>	11.2	25.6	(14.4)	10.1	1.1	June incentive compensation, salary increases, new hires/recruitment costs
Half year incentive accrual <sup>(2)</sup>	14.3	-	14.3	-	14.3	Strong investment performance
Custody, administration, trustee and unit registry costs	6.5	6.1	0.4	5.9	0.6	New funds and increased FUM
Business development costs	3.2	2.1	1.1	2.0	1.2	Website and increased advertising
Research	1.0	1.1	(0.1)	0.9	0.1	Variances caused by volume of overseas research trips
Other costs	4.8	4.6	0.2	4.6	0.2	One off costs associated with QMF launch \$0.7m, partly offset by savings on other line items
<b>Total Expenses</b>	<b>41.0</b>	<b>39.5</b>	<b>1.5</b>	<b>23.5</b>	<b>17.5</b>	

(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) Dec-17 incentive accrual:

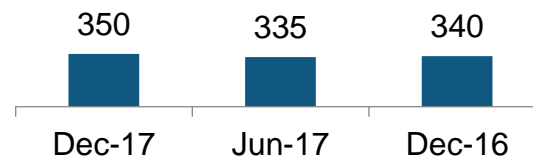
- 81% of the accrual relates to the Investment Team Plan and the Profit Share Plan. The Investment Team Plan accrual is for the 9 months to 31-Dec-17. The Profit Share Plan accrual is for the 6 months to 31-Dec-17.
- 14% relates to the General Employee Plan. The accrual is an estimate for the 6 month service period to 31-Dec-17.
- 5% is an estimate for on-costs related to the accrued incentive amount.
- Final awards (made in Jun-18) may well vary.



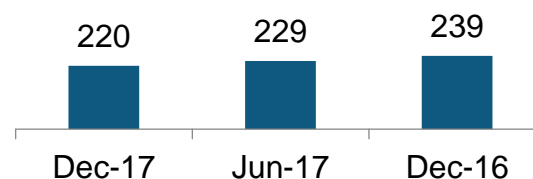
# Strong Balance Sheet

As at 31 December 2017

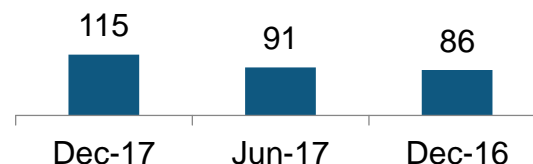
Net Assets\* (A\$m)



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



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



Dividends (cps)



# Questions



# Appendix 1:

## Detailed Operating Results

(\$M)	Dec-17	Jun-17 H	% CHANGE	Dec-17	Dec-16	% CHANGE
Management and admin fees	145.2	156.6	-7%	145.2	154.3	-6%
Performance fees	20.8	0.7	large	20.8	0.9	large
Interest income	1.9	2.5	-24%	1.9	1.8	+6%
Net gains/(losses) on FX, FA & other income	18.0	12.0	+50%	18.0	4.8	+275%
<b>Total revenue</b>	<b>185.9</b>	<b>171.8</b>	<b>+8%</b>	<b>185.9</b>	<b>161.8</b>	<b>+15%</b>
Staff costs	25.5	25.6	-%	25.5	10.1	+152%
Custody and unit registry costs	6.5	6.1	+6%	6.5	5.9	+10%
Business development costs	3.2	2.1	+52%	3.2	2.0	+60%
Research	1.0	1.1	-9%	1.0	0.9	+11%
Other costs	4.8	4.6	+4%	4.8	4.6	+4%
<b>Total costs</b>	<b>41.0</b>	<b>39.5</b>	<b>+3%</b>	<b>41.0</b>	<b>23.5</b>	<b>+74%</b>
<b>Pre-tax profit</b>	<b>144.9</b>	<b>132.3</b>	<b>+9%</b>	<b>144.9</b>	<b>138.3</b>	<b>5%</b>
<b>Income tax expense</b>	<b>40.3</b>	<b>37.2</b>	<b>+8%</b>	<b>40.3</b>	<b>40.8</b>	<b>-1%</b>
<b>Net profit after tax</b>	<b>104.6</b>	<b>95.1</b>	<b>+9%</b>	<b>104.6</b>	<b>97.5</b>	<b>+7%</b>
<b>Net profit after tax attributable to owners</b>	<b>102.2</b>	<b>90.6</b>	<b>+13%</b>	<b>102.2</b>	<b>95.4</b>	<b>+7%</b>
<b>Diluted EPS (c)</b>	<b>17.5</b>	<b>15.4</b>	<b>+13%</b>	<b>17.5</b>	<b>16.3</b>	<b>+7%</b>
<b>Average FUM (\$b)</b>	<b>25.4</b>	<b>23.6</b>	<b>+8%</b>	<b>25.4</b>	<b>23.3</b>	<b>+9%</b>
Total no. of shares – issued (m)	586.7	586.7	-	586.7	586.7	-



# Appendix 2

Funds under Management: Half year to December 2017, A\$m

FUNDS	OPENING BALANCE (1 JUL 2017)	NET CLIENT FLOWS	DISTRIBUTIONS & OTHER	INVESTMENT PERFORMANCE	CLOSING BALANCE (31 DEC 2017)	% OF TOTAL
<b>Retail Funds</b>						
Platinum Trust Funds and Platinum Global Fund <sup>1</sup>	16,249	737	(1,144)	2,287	18,129	66%
Platinum Quoted Managed Funds – PIXX and PAXX	-	187		8	195	1%
Platinum Listed Investment Company's – PMC and PAI	858	-	(38)	146	966	4%
MLC Platinum Global Fund	961	(62)		140	1,039	4%
<b>Institutional Clients</b>						
Platinum World Portfolios plc – UCITS	263	82		51	396	1%
Fixed Fee Mandates	2,089	(3)		316	2,402	9%
'Relative' Performance Fee <sup>2</sup>	1,819	16	1,144	472	3,451	13%
'Absolute' Performance Fee	474	(19)		72	527	2%
<b>TOTAL</b>	<b>22,713</b>	<b>938</b>	<b>(38)</b>	<b>3,492</b>	<b>27,105</b>	<b>100%</b>

<sup>1</sup> FuM closing balance excludes QMFs but includes retail performance fee class totalling \$17m. FuM excludes \$1.3b attributable to institutional investors in the Platinum Trust Funds that switched to a performance fee.

<sup>2</sup> FuM closing balance includes Platinum Trust Fund institutional performance fee clients of \$0.1b, mandates of \$2.0b and \$1.3b attributable to institutional investors in the Platinum Trust Funds that switched to a performance fee.



# Appendix 3

## Segment Analysis: As at 31 December 2017

FUNDS MANAGEMENT	DEC-17 (\$M)	DEC-16 (\$M)	% VAR
Fee Revenue	166.0	155.1	7%
Other Revenue	0.2	0.2	-
<b>Total Revenue</b>	<b>166.2</b>	<b>155.3</b>	<b>7%</b>
Expenses	(41.0)	(23.2)	77%
<b>Profit Before Tax</b>	<b>125.2</b>	<b>132.1</b>	<b>(5%)</b>
Income Tax Expense	<b>(34.5)</b>	<b>(39.0)</b>	<b>(12%)</b>
Non controlling interest	-	-	-
Profit After Tax attributable to owners	90.7	93.1	(3%)
<b>Profit After Tax attributable to owners ex incentive accrual</b>	<b>100.7</b>	<b>93.1</b>	<b>8%</b>
<b>Average FuM</b>	<b>25,404</b>	<b>23,328</b>	<b>9%</b>

INVESTMENTS AND OTHER	DEC-17 (\$M)	DEC-16 (\$M)	% VAR
Fee Revenue	-	-	-
Other Revenue	19.8	6.5	205%
<b>Total Revenue</b>	<b>19.8</b>	<b>6.5</b>	<b>205%</b>
Expenses	(0.1)	(0.3)	(large)
<b>Profit Before Tax</b>	<b>19.7</b>	<b>6.2</b>	<b>218%</b>
Income Tax Expense	<b>(5.7)</b>	<b>(1.7)</b>	(large)
Non controlling interest	(2.5)	(2.1)	(19%)
<b>Profit After Tax attributable to owners</b>	<b>11.5</b>	<b>2.4</b>	<b>379%</b>
<b>Segment Net Assets</b>	<b>337.2</b>	<b>361.9</b>	<b>-7%</b>

- Funds management revenue up 7% year-on-year, in line with average funds under management, offset partly by fee reductions. Profits (ex incentive accrual) up 8% as additional inflows and performance fees more than offset the impact of fee reductions.
- Profits from investments and other income up 379% on Dec-16, reflecting the strong investment markets, plus additional gains from new investments in the Platinum QMFs.



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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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