ANNUAL REPORT 2020

Platinum Asset Management Limited

ABN 13 050 064 287

Directors

Michael Cole
Stephen Menzies
Anne Loveridge
Brigitte Smith
Tim Trumper
Andrew Clifford
Kerr Neilson
Elizabeth Norman
Andrew Stannard

Shareholder Liaison

Elizabeth Norman

Company Secretary

Joanne Jefferies

Registered Office

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Sydney NSW 2000

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Phone 0800 700 726 (New Zealand only)
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Share Registrar

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Level 3, 60 Carrington Street
Sydney NSW 2000

Phone 1300 855 080 (Australia only)
Phone +61 3 9415 4000
Fax +61 3 9473 2500

Auditor and Taxation Advisor

PricewaterhouseCoopers
One International Towers
Watermans Quay
Barangaroo NSW 2000

Securities Exchange Listing

Platinum Asset Management Limited shares are listed on the Australian Securities Exchange (ASX code: **PTM**)

Website

www.platinum.com.au/Shareholder-information/

Corporate Governance Statement

The 2020 Corporate Governance Statement can be viewed at https://www.platinum.com.au/PlatinumSite/media/About/ptm_corp_gov.pdf

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CHAIRMAN'S REPORT 2020

Funds Under Management ("FUM")

It has been a somewhat challenging year for Platinum Asset Management Limited ("Platinum") with investment returns for our flagship Platinum International Fund overshadowing some strong investment performance in other areas, most notably our Asia ex-Japan and International Health Care focused strategies. This underperformance in the flagship fund translated into net fund outflows and lower funds under management, albeit that overall revenues were flat for the year and profit after tax was down only slightly, by 2%, when compared to the prior period.

FUM at 30 June 2020 was $21.4 billion, a decrease of 14% from the 30 June 2019 closing FUM of $24.8 billion. The reduction in FUM was driven primarily by net fund outflows of $3.0 billion.

Average FUM for the year decreased by 6% to $23.7 billion from an average FUM of $25.3 billion for the previous year.

The ongoing uncertainty in relation to the US/China trade war and bleaker prospects for future economic growth caused by the COVID-19 pandemic has led investors in global equity markets to remain nervous, even as those markets have continued to appreciate in value. Investors once again reacted to their fears by favouring companies perceived to be immune from external events, with technology and healthcare stocks in particular being propelled to extraordinarily high valuations relative to their future earnings prospects. In contrast, value stocks and/or those with a degree of earnings cyclicality were avoided by the majority of investors, and those stocks generally became cheaper.

Platinum has always believed that attractive valuations should be the starting point for any investment decision. This growing divergence between growth and perceived safety on the one hand and attractive valuations on the other, has consequently led to some investment underperformance for Platinum's funds in recent years. That said, it was encouraging to see how Platinum's investment approach successfully protected investor capital during the tumultuous market sell-off in March 2020. From peak to trough[1], the Platinum International Fund outperformed the index[2] by over 8% with our investors consequently avoiding a substantial portion of the losses experienced by the broader market. Even though this strong result was ultimately overshadowed by an unusually sharp subsequent rally (by historical standards) in equity prices, it was pleasing to observe that Platinum's investment process, one that seeks to protect clients in "down markets", performed well when our clients were likely at their most fearful.

Also pleasing to observe was the strong performance of Platinum's Asia ex-Japan and International Health Care equity strategies, both of which outperformed their respective indices[3] by over 10% in the year to 30 June 2020. As well as serving clients who were invested

1 From 21 February to 23 March 2020.

2 MSCI All Country World Net Index in A$. Source FactSet Research Systems.

3 MSCI All Country Asia ex-Japan Net Index in A$ and MSCI All Country World Health Care Net Index in A$. Fund/strategy returns are the returns of the C Class units of the relevant Platinum Trust Fund, are net of fees and costs and assume the reinvestment of distributions. Source: Platinum for fund/strategy returns, and FactSet Research Systems for index returns.

Past performance is not a reliable indicator of future returns.

in these funds, it is important to remember that, as Platinum has just one investment research team, these results provide encouraging signs of the underlying quality of Platinum's investment process and equity research capabilities.

Operating Performance

Profit before tax decreased by 1% to $220.8 million in the year ended 30 June 2020 (2019: $222.9 million). Earnings per share for the 2020 financial year was also relatively flat at 27 cents per share (2019: 27 cents).

Total revenue and other income for the Company decreased by less than 1% to $298.7 million in the year ended 30 June 2020 (2019: $299.3 million). This slight decline was mainly due to a 7% fall in base fee revenue being offset by performance fees (primarily from the Asia ex-Japan strategy) and investment gains from Platinum's seed investments. The decline in investment management fees (excluding performance fees) was broadly consistent with the decline in average FUM with average fee margins being largely maintained.

Costs

Included in the 2020 Remuneration Report on page 28 of the Company's 2020 Annual Report is a letter from the Chair of the Nomination and Remuneration Committee. I encourage all shareholders to read this letter, which outlines the remuneration policy of the Company and also its focus on investment performance based remuneration.

Specifically, I note that no member of the investment team received variable awards under the Profit Share Plan and that the Chief Executive Officer (CEO)/Chief Investment Officer (CIO), Andrew Clifford, elected not to receive any variable awards for the 2020 financial year, either under the CEO Plan or the Investment Team Plan. This is the second consecutive year in which Andrew Clifford has received no variable award.

Staff expenses declined 4% on the prior year, a reduction greater than the overall percentage fall in profit. However, the cost of share-based payments provided to staff increased by $1.9 million. This was primarily due to the current financial year including amortisation of grants made over the past five years (2019 only included four years as the plan was introduced in 2016). This was the main contributor to total expenses increasing by $1.5 million, to $77.9 million, for the year to June 2020.

Other costs were well controlled. Excluding non-cash depreciation charges and non-recurring expenditure (legal fees and a change to the lease accounting standard) of $1.1 million (2019: $0 million) in the 2020 financial year, non-staff related expenses were down 4% year on year. To achieve this result, Platinum successfully re-negotiated cost savings with its key suppliers and reduced marketing spend, albeit that some of the latter item was the result of COVID-19-induced reductions in marketing activity.

CHAIRPERSON'S REPORT 2020

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Dividends

The Directors have declared a 2020 final fully-franked ordinary dividend of 11 cents per share. This will be paid on 22 September 2020.

A 2020 interim fully-franked ordinary dividend of 13 cents per share was also declared during the year.

Whilst the Company has a Dividend Reinvestment Plan in place, it has not been activated.

Business Development

Despite the limitations imposed in recent months by the pandemic, Platinum has continued to develop its distribution presence both in Australia and offshore. In particular, our team of three London-based staff members has been active in developing prospective relationships with clients. We remain confident that these efforts, while hampered in the short term by investment performance in certain strategies, will ultimately result in a more diversified business.

In addition, we continued to leverage our distribution relationship with AccessAlpha Worldwide in the US over the last year, with trips to the US being conducted by our investment specialists and members of our investment team, which included meetings with a number of institutional prospects. To assist in this effort, two offshore funds were seeded in June 2020. Seeding new funds is an important step in both building scale and FUM within these new products, and encouraging product innovation.

Annual General Meeting

Due to COVID-19 and the related health concerns, the Company's Annual General Meeting ("AGM") will be held live through an online platform where you can attend and participate in the AGM. The AGM Notice, including details of how to join the meeting, will be dispatched to shareholders in the coming weeks.

The Board and its Associated Committees

The Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee both had a busy and productive year.

The Audit, Risk and Compliance Committee approved Platinum's risk management framework and internal audit plan, received regular reporting on risk management matters and the results of internal audits, considered the independence of the external auditor and monitored the impact of changes to the legal and regulatory environment affecting Platinum. In addition, the Committee oversaw an audit tender process and has recommended the appointment of a new external auditor, Ernst & Young (EY), subject to consent from the Australian Securities and Investments Commission and approval of shareholders at the AGM. The incumbent firm, PricewaterhouseCoopers, has provided excellent service to both the Company and its shareholders over many years and will continue to act as auditor of the funds managed by PIML and will retain an advisory role for the group. However, the Board expects that the appointment of EY will provide additional insights.

The Nomination and Remuneration Committee recommended the aggregate 2020 variable remuneration pool and awards for the CEO, Executive Directors and other senior managers within Platinum, and continued with the Company's program of succession planning.

Appointment of Guy Strapp to Chairman of the Company

An important discipline in any company is planning for the transition at both management and Board levels. It is a testament to the founders of Platinum that a strong succession plan has been put in place to ensure that Platinum remains relevant and continues to acquire the skills required to successfully adapt to these ever-changing markets.

I have been the Chairman of the Company since its listing on the ASX in 2007. As part of the Company's continued director renewal program, I intend to retire as a non-executive director of the Company and the Chairman of the Board, effective 20 November 2020, after the close of the AGM.

Guy Strapp will join the Board as a non-executive director of the Company effective 27 August 2020 and will assume the role of Chairman of the Board effective 21 November 2020, following my retirement. Mr Strapp (CFA) has over 35 years' experience having worked in a variety of roles in Australia and abroad at Bank of America, JP Morgan Investment Management, Citigroup Asset Management and BT Financial Group. More recently, he held the positions of CIO and CEO of Eastspring Investments (formerly Prudential Asset Management) in Hong Kong. Guy brings to the Board his extensive local and international experience in asset management, gained on both the investment and distribution side of the business. Mr Strapp is also the Chair for the Australian wealth manager, First Samuel Limited.

Finally

Whilst this has been a challenging period for all value investors, Platinum still retains a strong share of the Australian retail investor market, a highly differentiated product, and a strong 26-year investment track record.

I encourage you to read the Managing Director's letter to shareholders by Andrew Clifford, which explains the basis of our investment philosophy and discusses the investment outlook.

Michael Cole
Chairman

26 August 2020

MANAGING DIRECTOR'S LETTER 2020

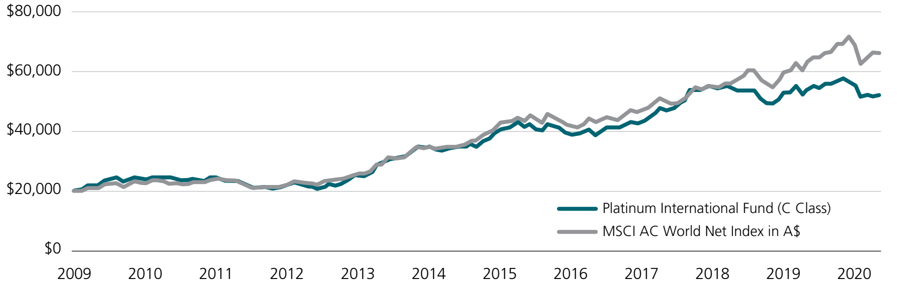
Investment Performance

The most critical variable in assessing the future prospects of our business is investment performance, as this will be a significant driver of future fund flows. As such, it is important for shareholders to make a considered assessment of not only our recent investment performance, but also of our prospects for future investment returns. In order to do so, it's important that shareholders understand and appreciate our investment approach.

At the core of our investment approach is the idea that our cognitive biases will cause investors to over-extrapolate good news and over-discount the bad news. It is this basic human psychology that sets our initial filter for investment ideas, to seek out those companies that are out-of-favour with the market, and to focus on areas of significant change, whether that be in the competitive landscape, technological developments or government regulation. The other critical element in our approach is that the price you pay for any investment is the most important determinant of its future return. These two elements are the bedrock of how we invest clients' money.

An examination of the investment performance of our global equity strategies (which account for 63% of our funds under management, "FUM") in the period since the end of the global financial crisis (GFC), as demonstrated by the performance of the Platinum International Fund (see chart 1), shows that we kept up with the market until early 2018.

Chart 1 – Platinum International Fund (C Class) Performance: February 2009 – June 2020



Source: Platinum for Fund returns and FactSet Research Systems for MSCI returns. The investment returns depicted in the chart are cumulative on A$20,000 invested in the Fund's C Class units over the specified period. The Fund's returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Although the Fund's returns are calculated relative to the MSCI All Country World Net Index in A$, Platinum does not invest by reference to the weightings of the Index. The Index is provided as a reference only.

Past performance is not a reliable indicator of future returns.

This outcome should be seen in the context of a global market where returns were dominated by a strong US bull market with evermore challenging valuations. In line with our approach, we sought opportunities in other markets and maintained a cautious stance on markets generally, running an average net invested position through this period of 75%. With hindsight, this portfolio positioning was less than ideal, yet in spite of it we matched market returns. This is testament to good stock picking within the markets and sectors in which we were invested.

Subsequently, since January 2018, the performance of our global investment strategies (including the Platinum International Fund) has lagged the market significantly. As I discussed in my letter to shareholders last year, the defining characteristic of global equity markets over the period to that point, has been the extraordinary outperformance of growth stocks over the rest of market. As we noted last year, while lower interest rates partly account for this phenomenon, investor preferences have also played a very important role. Faced with near zero returns on cash and risk-free assets, investors have been "forced" into equities, at a time when there are significant uncertainties, such as the political tensions between the US and China, and the destruction of many traditional business models by e-commerce. The result has been a strong preference for companies that are largely immune to economic fluctuations and other uncertainties, and it is this preference that has been a significant driver of share prices and valuations of growth stocks.

In the intervening period, the onset of the COVID-19 health and economic crisis has further reinforced this preference of investors as interest rates plunged even lower in the US. Additionally, many of the growth areas, such as e-commerce, have benefited from the COVID-19 lockdowns, further emphasising their investment appeal. However, the other story here, is the enormous creation of new money in the financial system by central banks, as they have intervened in financial markets, and enormous government spending programs that have often been financed directly or indirectly by the central banks. In the US, the annual growth rate of M2 (one measure of money outstanding), spiked to 25% in a matter of weeks[1]. It is highly likely that this substantial creation of new money, at a time when global economic output is collapsing, is responsible for the extraordinary run in the share prices of growth stocks we have experienced in the first half of 2020. To put it into perspective, the MSCI World Growth Index has outperformed the MSCI World Value Index[2] by 35% over the two years to June 2020, of which 25% occurred in the first six months of 2020.

1 Source: Federal Reserve Bank of St. Louis.

2 Source: MSCI. Growth stocks are the top 20% of stocks with the highest price to book (P/B) and value stocks are the 20% of stocks with the lowest P/B. The P/B is a ratio of a Company's current share price to its book value.

MANAGING DIRECTOR'S LETTER 2020
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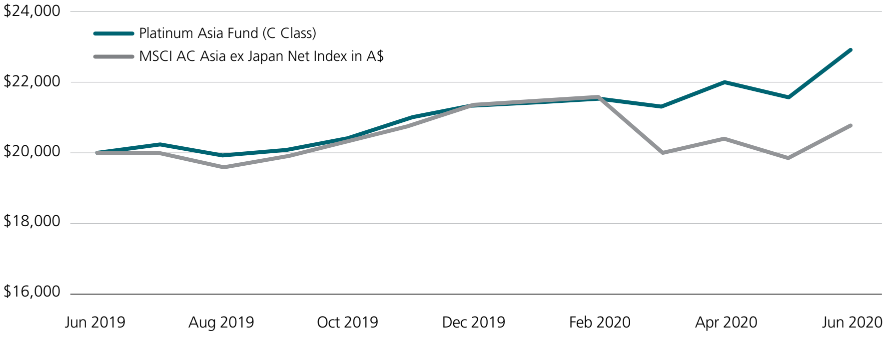
Today, we have all the signs of a fully-fledged investment mania. Retail investors have enthusiastically embraced the bull market, many with stories of great fortunes made from investing little money. The market has become highly thematic with labels such as "COVID-winners" explaining their stock price performance better than any hard-edged assessment of business positioning, intellectual property and future earnings. Innovative financing vehicles are often a sign of investor exuberance and today, we have SPACs (special purpose acquisition companies), where investors are handing money over on the basis that an exciting private business will be acquired at some point in the future. Anyone who has been around long enough will remember the "cashbox" initial public offerings (IPOs) of the late 1980s and what happened to investors in those vehicles.

It is in this context that we ask our clients and shareholders to assess our performance. As high growth stocks have become progressively more expensive, we have elected to reduce our positions in such investments, having made good returns. However, underlying our decision was not only the extended valuation of the growth stocks, but also the extraordinary opportunities available elsewhere. Additionally, our global strategies have remained cautiously positioned in response to what has become an increasingly speculative environment.

This is entirely consistent with the investment approach that we have applied over the last 26 years, one that over time has produced very good outcomes for our clients. Today, we are often asked, can our approach still produce good outcomes in a world of permanently low interest rates and extraordinary technological change? We would make a number of observations. Firstly, this is not the first time that our returns have significantly lagged the market in the latter stages of a strong bull market. We have certainly been here before. While we find ourselves in extraordinary times, there is nothing that suggests a fundamental change in human psychology. Cognitive biases are highly likely to be leading investors to over-extrapolate the good story behind many of today's strong performing stocks, as they have done in the past.

Finally, we would note the strong absolute and relative performance of our Asia ex-Japan equity strategies (which account for 25% of our FUM) over the last year, as demonstrated by the performance of the Platinum Asia Fund (see chart 2). What is remarkable is that a year ago our Asia strategies were lagging the market notably on a one-, three- and five-year basis. This rapid turnaround is possible as a result of the significant differences between our actively managed portfolios and the broad market. Given the widening gulf in performance and valuation between growth stocks and the rest of the market as outlined earlier, such a turnaround in our global equity strategy performance is not inconceivable.

Chart 2 – Platinum Asia Fund (C Class) Performance: June 2019 – June 2020



Source: Platinum for Fund returns and FactSet Research Systems for MSCI returns. The investment returns depicted in the chart are cumulative on A$20,000 invested in the Fund's C Class units over the specified period. The Fund's returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. Although the Fund's returns are calculated relative to the MSCI All Country Asia ex Japan Net Index in A$, Platinum does not invest by reference to the weightings of the Index. The Index is provided as a reference only.

Past performance is not a reliable indicator of future returns.

MANAGING DIRECTOR'S LETTER 2020

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Funds Under Management – Retention and Growth

Funds Under Management ($ million, to 30 June 2020)

FUNDS	OPENING BALANCE (1 JULY 2019)	FLOWS	INVESTMENT PERFORMANCE	DISTRIBUTION AND OTHER	CLOSING BALANCE (30 JUNE 2020)	% OF TOTAL
Retail offerings						
Platinum Trust Funds (excluding funds fed from PIXX and PAXX) and Platinum Global Fund (mFund)	15,939	(2,318)	140	(520)	13,241	62%
Quoted Managed Funds PIXX and PAXX	486	(24)	2	(11)	453	2%
Listed Investment Companies PMC and PAI	848	–	51	(62)	837	4%
MLC Platinum Global Fund	835	(188)	9	–	656	3%
Institutional mandates						
Management Fee Mandates	2,466	(290)	(32)	–	2,144	10%
UCITS Platinum World Portfolios	421	1	26	–	448	2%
Cayman Funds	–	30	–	–	30	0%
"Absolute" Performance Fee Mandates	445	(85)	(8)	–	352	2%
"Relative" Performance Fee Mandates	3,329	(157)	53	(1)	3,224	15%
TOTAL	**24,769**	**(3,031)**	**241**	**(594)**	**21,385**	**100%**

Source: Platinum Investment Management Limited

The 'Distribution and Other' figure is comprised of the distribution from the Platinum Trust Funds/PGF/PIXX/PAXX (as applicable). The balance also includes dividend and tax payments made by the Listed Investment Companies – Platinum Capital Limited (ASX code: PMC) and Platinum Asia Investments Limited (ASX code: PAI).

When COVID-19 took hold in Australia in March, we were able to get the business fully operational on an offsite basis immediately. This was a joint team effort to ensure the transition was as smooth and effective as possible, and we were extremely delighted at how the business was able to adapt and continue to maintain the status quo.

Retention and growth of our funds under management is largely driven by performance. As a result of the lagging performance of our global equity strategies, the business experienced net fund outflows over the period. There was a small offset from investment performance to this decline, with our Asia ex-Japan equity strategies performing strongly in absolute terms and relative to the broader market as mentioned above and illustrated by the table below. Looking ahead, it is likely to remain a difficult environment with respect to fund flows due to the combination of general economic conditions and our recent investment performance. The bright spot potentially is the aforementioned performance of our Asia ex-Japan strategy.

Investment Performance to 30 June 2020

STRATEGY	FUND	1 YEAR	3 YEARS (COMPOUND P.A.)	5 YEARS (COMPOUND P.A.)	SINCE INCEPTION (COMPOUND P.A.)
Global equity	Platinum International Fund (C Class)	–4.1%	3.3%	4.6%	11.6%
Asia ex-Japan equity	Platinum Asia Fund (C Class)	14.6%	10.3%	7.6%	14.2%

Fund returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. Past performance is not a reliable indicator of future returns. Inception date is 30 April 1995 for Platinum International Fund and 4 March 2003 for Platinum Asia Fund. Source: Platinum Investment Management Limited.

At times like this, it is therefore important to ensure that we continue to clearly communicate with clients our investment approach and the reasoning for our portfolio positioning. Despite the obvious hurdles that all businesses are facing with travel bans and movement of industry events to virtual productions, we continue to work on our engagement level with financial advisers and direct investors. We were two-thirds of the way through our annual investor and adviser capital city roadshow when the initial lockdown happened in mid-March, swiftly changing the last two roadshows to live webinars. Throughout the uncertainty of markets from March through to June, we provided regular market updates to our clients via our website, and are now back producing our monthly video content for the website.

MANAGING DIRECTOR'S LETTER 2020
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With regards to our offshore efforts, the UCITS vehicles in the UK and Europe during the second half of 2019 saw a continued level of interaction via visits to various countries and participation at industry events. Whilst solicitation of prospective investors has slowed more recently as investors grappled with increased market volatility and focused on managing the health of their current portfolios, the dialogue with existing managers was prioritised and accordingly coverage efforts with existing clients intensified over this period to ensure a strong understanding of current positioning and market views. This was rewarded to some extent, by limited outflows in these products.

Our partnership with AccessAlpha Worldwide to develop our US institutional client base has likewise continued to work on existing manager relationships and staying connected with the investor network in this challenging environment. In June, we seeded the Global and Asia ex-Japan strategies with US$10 million each, ensuring they are fully functional and ready to accept client money.

In addition, we continue to seek opportunities to expand investors' access to our various equity strategies, by accessing new markets and product innovation.

Costs
The most important resource within Platinum is its employees, and this accounts for over half of the group's expenses. Staff costs fell by 4% to $37.2 million from $38.7 million, driven by a combination of lower cash variable remuneration, reduced salary and recruitment costs, as well as lower on-costs. The fall in cash variable remuneration is a direct result of our approach to linking remuneration outcomes for employees within our investment team to investment performance.

Selected employees were also awarded deferred stock under the Deferred Remuneration Plan. These awards defer a portion of each year's annual variable compensation over four years and are paid in shares. The first tranche of stock (awarded in the June 2016 introductory year) vested in June 2020 so this year was also the last where the amortisation expense will tend to compound. Future non-cash amortisation charges should now tend to normalise around the annual award amount. The Deferred Remuneration Plan continues to play an important role in ensuring that employees who contribute to the development of the business over the long term are rewarded and also serves as an important mechanism for employee retention. Building an "ownership" mentality amongst key staff is a crucial component in ensuring the long-term success of the group and thus remains an area of particular focus.

Non-staff costs increased by 3%, from $32.8 million to $33.9 million. This was due almost entirely to depreciation arising due to a change in the accounting standard for leases and a new office fit out. Excluding these charges, and also some one-off legal costs related to successfully defending our trade marks, the group's underlying expenses fell 4%. This result was largely due to strong cost control and, to a lesser extent, the impact that COVID-19 has had on reducing our travel spend in the last quarter of the year.

Outlook

COVID-19 has roiled markets. Despite the global economic and investment backdrop, the world will reset and over time, will work its way out of recession. Importantly, many companies will be the beneficiary of this, and it is here that the opportunity set is vast and exciting. The investment team remains focused on ensuring the portfolios are positioned accordingly.

I would like to express my gratitude to Michael Cole who is stepping aside as the Chair of the company after the close of the Annual General Meeting. Michael was appointed the inaugural Chair when we listed in 2007 and has guided us through a change of CIO, CEO and a vastly changing investment landscape, both from what the investing world continues to put in front of us, as well as the various changes in regulatory requirements that continually faces this industry. We look forward to working with our new Chair, Guy Strapp who brings extensive investment and industry experience to the role.

COVID-19 has had an all-encompassing effect on our daily lives; from families that have been directly impacted by the disease and loss of loved ones, to those experiencing dire economic and financial consequences, and for most of us the transformation of regular routines. This has been, and continues to be, an extremely difficult time for many of our clients and shareholders, and we extend our best wishes to all to stay safe and well.

Once again, I would like to thank our clients and shareholders for your continued support during this unprecedented time.

Andrew Clifford
Managing Director

FINANCIAL STATEMENTS 2020

Platinum Asset Management Limited

General Information

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 August 2020. The Directors have the power to amend and reissue the financial statements.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 21 August 2020.

Distribution of ordinary shares

Analysis of number of ordinary shareholders by size of holding:

	NUMBER OF HOLDERS OF ORDINARY SHARES
1 to 1,000	5,478
1,001 to 5,000	12,073
5,001 to 10,000	3,530
10,001 to 100,000	2,331
100,001 and over	73
	23,485
Holding less than a marketable parcel (of $500)	559

Substantial Holders

Twenty largest shareholders

The names of the twenty largest shareholders of the Company are listed below:

	ORDINARY SHARES NUMBER HELD	% OF TOTAL SHARES ISSUED
J Neilson	126,037,421	21.48
K Neilson	126,037,420	21.48
HSBC Custody Nominees (Australia) Limited	77,001,459	13.13
JP Morgan Nominees Australia Limited	33,873,432	5.77
Platinum Investment Management Limited (nominee)	29,364,201	5.01
Citicorp Nominees Pty Limited	28,418,215	4.84
National Nominees Limited	6,770,801	1.15
Pacific Custodians Pty Limited	6,687,403	1.14
Jilliby Pty Limited	6,500,000	1.11
J Clifford	5,000,000	0.85
BNP Paribas Nominees Pty Limited	4,204,435	0.72
BKI Investment Company Limited	1,738,000	0.30
Xetrov Pty Limited	1,500,000	0.26
BNP Paribas Nominees Pty Limited	1,428,257	0.24
Citicorp Nominees Pty Limited	1,101,165	0.19
Mrs Michele Martinez	1,072,309	0.18
Navigator Australia Limited	754,103	0.13
BNP Paribas Nominees Pty Limited	730,024	0.12
Nulis Nominees (Australia) Limited	618,135	0.11
Warbont Nominees Pty Limited	574,212	0.10
	459,410,992	78.31

Unquoted ordinary shares

There are no unquoted ordinary shares, however under the Deferred Remuneration Plan, a total of 7,115,680 deferred rights have been allocated to eligible employees of Platinum Investment Management Limited, and on vesting and exercise of these rights, an equivalent number of PTM shares (that have already been acquired on-market) will be allocated to these employees (please refer to the Remuneration Report and Note 20 for further details).

SHAREHOLDER INFORMATION
CONTINUED

Substantial shareholders
The following parties have notified the Company that they have a substantial relevant interest in the ordinary shares of Platinum Asset Management Limited in accordance with section 671B of the *Corporations Act 2001*:

	ORDINARY SHARES	
	NUMBER HELD	% OF TOTAL SHARES ISSUED
J Neilson, K Neilson	252,074,841^	42.97
J Clifford, Moya Pty Limited, A Clifford	32,831,449^	5.60

^ Based on the last substantial shareholder notice lodged.

Distribution of Annual Report to shareholders
The law allows for an "opt in" regime through which shareholders will receive a printed "hard copy" version of the Annual Report only if they request one. The Directors have decided to only mail out an Annual Report to those shareholders who have "opted in".

Financial Calendar

Ordinary shares trade ex-dividend	3 September 2020
Record date (books close) for dividend	4 September 2020
Dividend paid	22 September 2020

These dates are indicative and may be changed.

Notice of Annual General Meeting
The Annual General Meeting (AGM) of Platinum Asset Management Limited will be held through an online platform on Friday 20 November 2020. Details of how to join the meeting will be included in the AGM Notice.

Questions for the AGM
If you would like to submit a question prior to the AGM to be addressed at the AGM, you may email your question to invest@platinum.com.au.

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity', 'group' or 'Platinum') consisting of Platinum Asset Management Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were Directors of Platinum Asset Management Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Michael Cole	Chairman and Non-Executive Director
Stephen Menzies	Non-Executive Director
Anne Loveridge	Non-Executive Director
Brigitte Smith	Non-Executive Director
Tim Trumper	Non-Executive Director
Andrew Clifford	Chief Executive Officer/Managing Director
Kerr Neilson	Executive Director
Elizabeth Norman	Executive Director and Director of Investor Services and Communications
Andrew Stannard	Executive Director and Chief Financial Officer

Michael Cole intends to retire as Chairman and Non-Executive Director after the close of the Annual General Meeting (AGM) on 20 November 2020. Guy Strapp will join the Board as a Non-Executive Director of the Company effective 27 August 2020 and will assume the role of Chairman of the Board effective 21 November 2020. Information on Mr Strapp's experience will be included in the AGM Notice.

Principal Activities

The Company is the non-operating holding company of Platinum Investment Management Limited ("PIML") and its controlled entities. Platinum Investment Management Limited ("Platinum"), trading as Platinum Asset Management, operates a funds management business.

Operating and Financial Review

Fund Under Management ("FUM") at 30 June 2020 was $21.4 billion and this represented a decrease of 13.7% from the 30 June 2019 closing FUM of $24.8 billion. The closing FUM figure at 30 June 2020 was reduced by the annual net distribution outflow of $532 million. Average FUM for the year decreased by 6.3% to $23.7 billion from an average FUM of $25.3 billion for the previous year. The reduction in FUM was driven by net fund outflows of $3.0 billion. Absolute investment returns contributed $241 million to the FUM during the financial year.

Total revenue and other income was $298.7 million for the year ended 30 June 2020, a 0.2% decrease from $299.3 million in the prior year. Management fee revenues decreased 6.5% compared to the prior year due to the decrease in average FUM over the same period. Performance fee revenues of $9.1 million (2019: $30,000) were primarily attributable to strong relative performance by the Asia ex-Japan and Healthcare strategies. Other income increased from $4.1 million in the previous year to $13.7 million in the current year due to improved returns from seed investments.

DIRECTORS' REPORT
CONTINUED

Total costs were $77.9 million for the year ended 30 June 2020, an increase of $1.5 million from the prior year. Costs decreased in some areas including staff costs (down $1.5 million) and custody and unit registry fees (down $1.5 million). However, those cost decreases were offset by increased costs including occupancy related expenses (up $1.8 million due to an office fit out and changes in lease accounting rules), non-recurring legal costs of $0.5 million and share-based payments expense (up $1.9 million due to an additional grant in 2020).

COVID-19 has and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may impact on investment performance and FUM. Platinum implemented measures to maintain the ongoing safety and well-being of employees including allowing employees to work from home. COVID-19 has not had a direct impact on the ability to perform core business activities or on the Platinum's revenues. Accordingly, Platinum has not received any COVID-19 related financial assistance or support.

Platinum Management Malta Limited was incorporated in November 2019 in order to market the funds managed by PIML to European Union (EU) professional clients post Brexit. In addition, seed investments were made to establish two Cayman based funds targeted at United States investors in June 2020.

Platinum continues to be well positioned for future growth because:

– It maintains a highly differentiated product and maintains a strong position in the Australian retail market;

– Our new offshore initiatives provide a platform for growth over the medium-term; and

– Our investment team continues to deliver high research quality and a large idea base.

The Company is in a strong financial position, with a strong balance sheet. However, the most significant driver of sustainable future growth is, and will always be, the delivery of superior, long-term, investment returns for our clients.

Likely developments
Information about the business strategies and prospects for future financial years of the consolidated entity are included in the Operating and Financial Review. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity because the information is commercially sensitive.

Dividends

The Company has limited capital requirements and generally expects that most, if not all, future profits will continue to be distributed by way of dividends, subject to ongoing capital requirements.

Since the end of the financial year, the Directors have declared a 2020 final fully-franked dividend of 11 cents per share ($64,534,679 including dividend paid on treasury shares), with a record date of 4 September 2020 and payable to shareholders on 22 September 2020.

A 2020 interim fully-franked dividend of 13 cents per share ($76,268,257 including dividend paid on treasury shares) was paid on 18 March 2020. A 2019 final fully-franked dividend of 14 cents per share ($82,135,046 including dividend paid on treasury shares) was paid on 20 September 2019.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year and up to the date of this report.

Environmental Regulation

The consolidated entity is not subject to any significant environmental regulation under Commonwealth, State or Territory laws.

Information on Directors

Michael Cole AM BECON, MECON, FFIN

Independent Non-Executive Director, Chairman and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 10 April 2007.

Mr Cole has over 40 years of experience in the investment banking and funds management industry. Mr Cole was an Executive Director/Executive Vice President at Bankers Trust Australia for over 10 years. Mr Cole is Chairman of Ironbark Capital Limited. As previously noted, Michael Cole intends to retire as Chairman and Non-Executive Director after the close of the Annual General Meeting (AGM) on 20 November 2020.

Stephen Menzies BECON, LLB, LLM

Independent Non-Executive Director and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 11 March 2015 and Chair of the Nomination & Remuneration Committee since 19 June 2017.

Mr Menzies is Chairman of Silicon Quantum Computing Pty Limited and is a past Chairman of the Centre for Quantum Computation & Communication Technology. Mr Menzies retired as a partner at Ashurst law firm in 2015 and until his retirement was consistently ranked as one of Australia's leading corporate lawyers. As Head of China Practice for Ashurst, Mr Menzies oversaw the Shanghai and Beijing offices of that firm. Previously, Mr Menzies was National Director of Enforcement at the Australian Securities Commission and has a long history in the funds management sector. Mr Menzies was a director of Freedom Insurance Group Ltd until 29 April 2019 and Century Australia Investments Limited until 5 March 2019. Mr Menzies is a director of Platinum World Portfolios Plc.

DIRECTORS' REPORT
CONTINUED

Anne Loveridge BA (HONS), FCA (AUSTRALIA), GAICD
Independent Non-Executive Director and member of the Audit, Risk & Compliance Committee and Nomination & Remuneration Committees since 22 September 2016 and Chair of the Audit, Risk & Compliance Committee since 24 February 2017.

Ms Loveridge is currently a Non-Executive Director for the National Australia Bank (NAB) Group and NIB Holdings Limited. Ms Loveridge retired as a partner and deputy chairman of PricewaterhouseCoopers (PwC) in 2015. At PwC, she had over 30 years of experience in the Financial Services Assurance practice. Ms Loveridge has extensive senior management and people leadership experience, knowledge of financial and regulatory reporting and risk management. Ms Loveridge is entitled to receive payments from PwC as part of a retirement plan. The payments are based on a set formula relating to her partnership and tenure with PwC. The amount is fixed and is not dependent on the revenues, profits or earnings of PwC. The Board is satisfied that this does not affect Ms Loveridge's independence as a non-executive Director, nor does it constitute a conflict of interest and complies with the Corporations Act. The Board has, however, put in place appropriate safeguards to address any perceived conflicts of interest if they were to arise from time to time.

Brigitte Smith B.CHEM ENG (HONS), MBA, MALD, FAICD
Independent Non-Executive Director and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 31 March 2018.

Ms Smith was co-founder and Managing Director of GBS Venture Partners for twenty years and has worked with Australian and US fast growth companies as an investor and board member, supporting business strategy, human resources and operations. Prior to GBS Ms Smith worked in the US and Australia in operating roles with fast growth technology based businesses, and at Bain & Company as a strategic management consultant.

Tim Trumper MBA, UNE
Independent Non-Executive Director and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 1 August 2018.

Mr Trumper is Chair of the NRMA, advisor and shareholder in Quantium, Australia's leading data and analytics company and holds interests in several private high growth innovative companies. He is an authority on the utilisation of data to drive innovation, and corporate strategy. Mr Trumper is an experienced non-executive director, former CEO, and advisor for high-performance global and Australian companies. His career has spanned diverse categories including artificial intelligence and machine learning, big data, digital transformation, mobility and transport, financial services and media.

Along with fellow directors and the then Chairman the late Hon. R J Hawke, Tim helped to establish The Bestest Foundation. This charity has raised over $4 million for disadvantaged Australian children.

Andrew Clifford BCOM (HONS)
Managing Director since 1 July 2018 and Chief Investment Officer since 8 May 2013.

Mr Clifford joined Platinum as a co-founding member in 1994 in the capacity of director of Platinum Investment Management Limited and Deputy Chief Investment Officer. In May 2013, Mr Clifford was appointed Chief Investment Officer. Effective 1 July 2018, Andrew Clifford was appointed as the Chief Executive Officer/Managing Director of the Platinum group. Previously he was a Vice President at Bankers Trust Australia covering Asian equities and managing the BT Select Market Trust – Pacific Basin Fund.

Kerr Neilson BCOM, ASIP
Executive Director since 12 July 1993. From 31 August 2020, Mr Neilson will become a Non-Executive Director.

Mr Neilson joined Platinum as a co-founding member in 1994 and was the Managing Director of the Company from incorporation to 30 June 2018. Prior to Platinum, Mr Neilson was an Executive Vice President at Bankers Trust Australia. Previously he worked in both the UK and South Africa in stockbroking.

Elizabeth Norman BA, GRADUATE DIPLOMA IN FINANCIAL PLANNING
Director of Investor Services and Communications since 8 May 2013.

Ms Norman joined Platinum in February 1994 in a role of Investor Services and Communications Manager. Previously she worked at Bankers Trust Australia in product development and within the retail funds management team.

Andrew Stannard BMS (HONS), GRADUATE DIPLOMA IN APPLIED FINANCE AND INVESTMENT, CA
Director and Chief Financial Officer since 10 August 2015.

Mr Stannard joined Platinum from AllianceBernstein where he held the position of Chief Financial Officer for the Asia-Pacific region. Mr Stannard has 30 years of finance experience with expertise in audit, financial control, operations, funds management, financial services regulation and corporate governance.

Information on Company Secretary

Joanne Jefferies, BCOM, LLB
Company Secretary since 17 October 2016.

Ms Jefferies is an English law qualified solicitor with more than 25 years of legal experience in the asset management and securities services sectors, in England and across Asia Pacific.

Ms Jefferies joined Platinum in October 2016 as General Counsel and Group Company Secretary, having spent the previous six years at BNP Paribas Securities Services as Head of Legal Asia Pacific, Company Secretary for all Australian subsidiaries and a member of the Asia Pacific Executive Committee. Joanne has previously held senior legal positions with Russell Investments, Morley Funds Management (Aviva Investors) and Lord Abbett, and served as the General Counsel for the UK's funds management industry association, the Investment Association.

DIRECTORS' REPORT

CONTINUED

Meetings of Directors

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	BOARD (HELD 6) ATTENDED	NOMINATION & REMUNERATION COMMITTEE (HELD 4) ATTENDED*	AUDIT, RISK & COMPLIANCE COMMITTEE (HELD 4) ATTENDED*
Michael Cole	6	4	4
Stephen Menzies	6	4	4
Anne Loveridge	6	4	4
Brigitte Smith	6	4	4
Tim Trumper	6	4	4
Andrew Clifford	6	–	–
Kerr Neilson	6	–	–
Elizabeth Norman	6	–	–
Andrew Stannard	6	–	–

* Executive Directors may be invited to attend committee meetings as guests.

Interests in registered schemes

The relevant interest in units of registered schemes managed by PIML for each Director is set out below.

REGISTERED SCHEME	DIRECTOR	30 JUNE 2019	30 JUNE 2020
Platinum Asia Fund	Andrew Clifford	4,193,585	4,596,001
	Kerr Neilson	70,321,317	70,032,218
	Elizabeth Norman	851,777	933,746
	Tim Trumper	27,268	27,268
Platinum International Fund	Andrew Clifford	10,454,939	29,623,555
	Kerr Neilson	62,910,075	36,530,841
	Elizabeth Norman	305,911	497,709
	Stephen Menzies	62,530	62,530
Platinum Global Fund	Andrew Clifford	5,305,945	5,566,437
	Kerr Neilson	5,000,000	5,000,000
	Elizabeth Norman	614,299	644,457
Platinum European Fund	Kerr Neilson	11,857,012	11,725,650
Platinum Japan Fund	Andrew Clifford	3,000,512	–
	Kerr Neilson	37,581,042	37,515,151
	Elizabeth Norman	235,287	235,287
Platinum Unhedged Fund	Kerr Neilson	27,393,683	27,542,508
	Elizabeth Norman	144,766	153,677
Platinum International Brands Fund	Kerr Neilson	2,503,669	2,518,798
Platinum International Healthcare Fund	Kerr Neilson	12,080,257	12,650,427
Platinum International Technology Fund	Andrew Clifford	94,604	–
	Kerr Neilson	9,118,846	9,173,625
Platinum International Fund (Quoted Managed Hedge Fund)	Anne Loveridge	8,221	12,454
Platinum Asia Fund (Quoted Managed Hedge Fund)	Anne Loveridge	8,660	12,356
	Brigitte Smith	56,000	59,093
	Stephen Menzies	22,636	23,886

DIRECTORS' REPORT
CONTINUED

Indemnity and Insurance of Directors and Officers
During the year, the Company incurred a premium in respect of a contract for indemnity insurance for the Directors and Officers of the Company named in this report.

Indemnity and Insurance of Auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Non-Audit Services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 22 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 22 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

– All non-audit services have been reviewed and approved by the PTM Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and

– None of the services undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts
The Company is of a kind referred to in ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Managing Tax Risk
The Board is committed to acting with integrity and transparency in all tax matters. The Company aims to meet all of its obligations under the law and pay the appropriate amount of tax to the relevant authorities.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 47.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Michael Cole
Chairman

Andrew Clifford
Director

26 August 2020
Sydney

DIRECTORS' REPORT
CONTINUED

Remuneration Report

A Message from the Chair of the Nomination & Remuneration Committee

On behalf of the Board, I am pleased to present the 2020 Remuneration Report.

As discussed in both the Chairman's and Managing Director's Reports, the final quarter of the financial year was impacted by the economic consequences of the COVID-19 pandemic.

Despite the economic uncertainties, Platinum's focussed business strategy has enabled Platinum to deliver relatively solid results for the year with revenues and profits both essentially flat when compared to 2019.

However, shareholders have been adversely impacted as Platinum's share price, which had previously been trading up for the financial year, declined meaningfully during March. This share price decline has likewise impacted Platinum's key staff through their own shareholdings in the firm. For the CEO and the two other executive directors, a significant proportion of their variable compensation is delivered in Platinum equity and deferred for up to 4 years, to provide alignment with shareholders. This has been a long-standing feature of Platinum's remuneration approach.

However, if we look past these recent events, the core purpose of the Company remains to deliver strong investment returns to clients over the medium to long-term, consistent with a risk profile that seeks to preserve clients' capital. Platinum believes that strong medium to long-term investment performance is the primary driver of fund inflows, profit growth and ultimately long-term value creation for shareholders. As such, Platinum's remuneration policy is shaped around this core purpose. Importantly, the Company can only achieve strong investment performance by attracting and retaining strong investment talent, supported by a team of similarly talented client service and operational staff.

Accordingly, Platinum's remuneration program has two key elements, being fixed remuneration (salary and superannuation) and variable awards, which are made either in the form of cash or by way of a deferred equity award. To ensure the alignment of Platinum's investment team with investment returns for clients, the size of the variable remuneration pool for the investment team generally varies with the extent of investment performance generated for clients, measured over both 1 and 3 year periods. That said, as Platinum's investment approach builds portfolios from the bottom up on an index agnostic basis, periods of underperformance relative to the broader market are almost inevitable. During such periods, the Board retains the right to make appropriate discretionary awards.

Platinum's Nomination and Remuneration Committee has been active in the 2020 financial year and up to the date of this report. In particular, we have:

– Continued to push forward our program of Board renewal and completed the search for a new Chairman;

– Reviewed and updated the CEO's remuneration arrangements and KPIs;

– Reviewed and recommended to the Board the aggregate 2019/2020 variable remuneration pool for Platinum as well as the individual awards for the CEO, executive directors and senior managers;

– Overseen the development of Platinum's corporate values; and

– Approved Platinum's revised diversity objectives and a diversity and inclusion policy.

We will continue to refine and review our remuneration arrangements to ensure that they align with Platinum's core purpose and we welcome your feedback.

Stephen Menzies
Chair of Nomination & Remuneration Committee

DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued
Introduction
The Company's Directors present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and consolidated entity for the year ended 30 June 2020. The Remuneration Report forms part of the Directors' Report.

The information provided in this Remuneration Report has been audited by the Company's auditor, Pricewaterhouse-Coopers, as required by section 308 (3C) of the *Corporations Act 2001*.

Summary of Remuneration Outcomes for 2020
The Board remains focussed on ensuring there is a robust and rigorous process in place to determine remuneration outcomes. Significant oversight and judgement were applied to ensure remuneration outcomes were aligned with individual and company-wide performance.

In determining remuneration outcomes for this year, the Board specifically considered the following:

– Although Platinum's overall profit was relatively flat for the year, a number of positive outcomes were delivered across a number of facets of the business. Accordingly, our remuneration approach sought to reward selected individuals who outperformed during the year. In particular, the Board believes that it is critical for the Company to maintain its strong client service and operational excellence to incentivise future innovation and business growth.

– While the flagship Platinum International Fund underperformed the market, there were a number of other funds and investment professionals who delivered strong investment outcomes for the year and were consequently worthy of recognition.

– The substantial existing staff shareholding in the Company delivers meaningful alignment with shareholders' share price experience.

– The need to balance shareholder outcomes with retention risks within the firm.

The outcomes were as follows:

– As was the case in 2019, the Chief Executive Officer/Chief Investment Officer, Mr Andrew Clifford, elected not to receive any variable awards in 2020;

– Staff expenses were reduced 4% on prior year with the underperformance of the majority of our funds versus market indices and/or lower revenues for 2020 adversely affecting variable remuneration outcomes for Platinum's employees in aggregate;

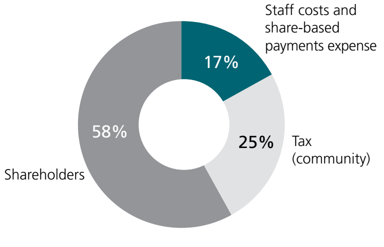
– There were no awards made under the Profit Share Plan ("PSP") due to the performance of the majority of our funds versus the indices and the investment team and general employee cash variable compensation pools were reduced. With the exception of a small group of employees who each made outstanding contributions to the business, cash variable awards were generally flat to down on prior year and a salary freeze for the following 2021 financial year was also put into effect; and

– A total of $8.7m (2019: 7.5m) was awarded to eligible participants under the Deferred Remuneration Plan in the current financial year, which will vest in June 2024. The accounting impact of the award will be expensed through the profit and loss statement over the five year service period of the award, so the expense impact will be apportioned over time.

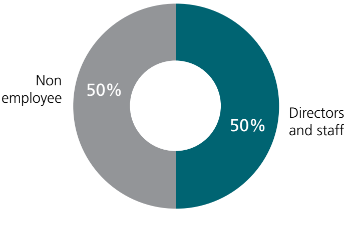
The allocation of 2020 profits attributed to both shareholders and employees is outlined in the first graph below. It shows that the compensation awarded to employees was modest, relative to the returns to shareholders, with shareholders receiving a share of profits four times greater than staff.

The second graph shows that alignment between employees and the owners of the business also remains very strong, with several key staff being primarily remunerated by way of dividends and capital appreciation/depreciation, in exactly the same way as other shareholders.

Graph 1: Share of 2020 Profit (pre tax and pre staff costs)



Graph 2: Composition of PTM share ownership



DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued
Guiding Principles of KMP and Staff Remuneration
The core purpose of the Company is to deliver strong investment returns to clients over the medium to long-term, consistent with a risk profile that seeks to protect against downside market risk. It achieves this purpose by attracting and then retaining superior investment talent, supported by a team of similarly talented client service and operational staff.

The success of our remuneration program can be evidenced by our strong long-term investment performance and high retention rates amongst key investment and operational staff.

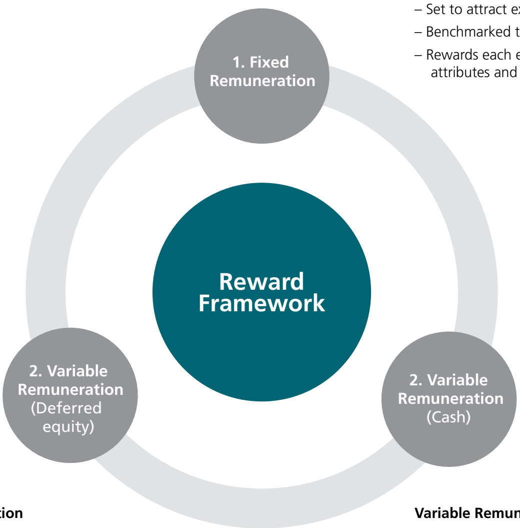
Platinum's remuneration program has two[1] key elements:

1. Fixed Remuneration: This is set at a level sufficient to attract exceptional talent. It includes salary, benefits and statutory entitlements. Fixed remuneration is benchmarked to market at least annually and reflects the scope of the individual role, and the required level of skill and experience.
2. Variable Remuneration: Each employee is assessed annually across a range of quantitative and qualitative factors, as well as appropriate risk management and behavioural criteria. Variable award recommendations are generally made annually on a discretionary basis following rigorous review by senior management and the Nomination & Remuneration Committee, which comprises non-executive directors only, before ultimately being approved by the Board. Variable awards can be made in the form of cash or a deferred equity award that vests over a four year period. This deferral element is designed to foster sustainable growth, as well as sound financial, operational and risk management practices, and to retain talent.

1 Platinum also has two inactive long-term Remuneration Plans, being an "Options and Performance Rights Plan" (OPRP) and a "Fund Appreciation Rights Plan" (FARP). There was no allocation under either plan in either the current or the prior year.

Fixed Remuneration

– Set to attract exceptional talent
– Benchmarked to market
– Rewards each employee for their skills, attributes and role accountabilities



Variable Remuneration (Deferred equity)

– Improves alignment of employees and shareholders
– Significant deferral element to foster sustainable growth and sound financial, operational and risk management practices

Variable Remuneration (Cash)

– Performance goals set annually at the beginning of each performance period
– Awards made annually with reference to individual performance
– Other performance considerations include:
  - Company performance
  - Risk management factors
  - Leadership and behavioural factors
  - Competition for key staff

Variable Remuneration Plans

There were three variable remuneration plans in operation during the 2020 financial year, which were supported by a Deferred Remuneration Plan. Each plan is overseen by the Nomination & Remuneration Committee. The investment team has access to the Investment Team Plan and the Profit Share Plan. All other staff are covered by the General Employee Plan. Each variable remuneration award is then apportioned between a cash amount, which is generally paid in June and a deferred amount, which will vest in four years so long as the employee remains employed by Platinum during that time.

DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued

The table below summarises the main characteristics of each plan, each of which are then discussed in more detail in the following section.

PLAN SUMMARY	PARTICIPANTS	POOL FORMULA	CAP	HURDLE	AWARD TYPE
Investment Team Plan	Investment team	Weighted average 1 and 3 year performance[2]	2x salary of investment team (caps out at 5% outperformance)	MSCI[3]	Cash and/ or deferred equity award
Profit Share Plan	Investment team	Weighted average 1 and 3 year performance	5% of adjusted net profit (caps out at 6% outperformance)	MSCI +1%	

Investment Team Plan (applies to members of the investment team only)

Under this plan, in a period where there is aggregate weighted average outperformance (relative to a weighted benchmark comprised of nominated market indices) the annual investment team award pool is calculated as a percentage of the aggregate base salary of the investment team. The percentage level relates to the weighted average of 1 year and 3 year rolling outperformance of all funds and mandates under management (relative to a weighted benchmark comprised of nominated market indices). The pool starts at 100% of the aggregate of the base salaries of the investment team. For each 1% increase in this average outperformance, the pool is increased by 20% and is then capped at 2 times aggregate base salaries when average outperformance is 5% or more.

The pool is allocated across the investment team based on performance assessments that are based on both quantitative and qualitative measures. Quantitative measures used to assess individual performance include the performance of any portfolios under the management of an individual and the performance of the individual investment ideas that the person has proposed. Individual investment performance is usually assessed over a rolling 1 year and 3 year time frame and is relative to a nominated market index.

The total remuneration outcome (comprising both fixed and variable components) for each investment professional is also benchmarked to appropriate external market data.

2 The Board can elect to make discretionary awards in excess of the pool amount should it be required. In this case, annual awards for investment team members may then be determined by an individual assessment of each employee's contribution.

3 MSCI refers to the relevant MSCI index applicable to each strategy.

In a period where there is aggregate weighted average underperformance or where performance is uneven across different funds or fund managers, annual awards for investment team members will then be determined by an individual assessment of each employee's contribution to the investment team during the period. Individual awards will generally range from 0% to 120% of base salary and reflect the business necessity of retaining high performing talent during the inevitable short term dips in weighted 1 and 3 year investment performance.

Profit Share Plan ("PSP") **(applies to selected members of the investment team only)**
The PSP is designed to reward key members of the investment team for their contribution to the development of Platinum's business through the generation of strong investment performance (relative to a weighted benchmark comprised of nominated market indices). Eligible members of the investment team are issued notional units in the PSP. The notional units have no capital value and cannot be sold or transferred to a third party. Notional units of an eligible member of the PSP are adjusted each year based upon a prospective assessment of each such member's long-term contribution potential to the future development of Platinum. Each year the profit share percentage pool is determined based upon the weighted average 1 year and 3 year rolling outperformance of all funds and mandates under management (relative to a weighted benchmark comprised of nominated market indices).

There is no profit share until weighted average 1 year and 3 year rolling outperformance is greater than 1%. So, for example, if the average of the 1 and 3 year rolling performance of our funds and mandates exceeded the weighted benchmark by 2.5%, then 1.5% of the Company's management fee-based[4] net profit before tax would be made available to the PSP pool. The profit share figure is limited each year to 5% of profit before tax, though the Nomination & Remuneration Committee may elect to carry over investment outperformance to future periods if investment returns indicate a profit share in excess of the 5% level.

General Employee Plan **(applies to non-investment team staff)**
Performance is assessed against pre-determined operational performance indicators relevant to each employee. These performance indicators take into account the responsibilities, skill and experience of each employee and their contribution during the year. Total remuneration outcomes (comprising both fixed and variable components) are also benchmarked to appropriate external market data.

4 Excluding investment related revenue and expenses.

DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued

Deferred Remuneration Plan **(applies to all staff)**
In June 2016, the Nomination & Remuneration Committee approved the implementation of the Deferred Remuneration Plan. The main objectives of the Plan are to foster sustainable growth, as well as sound financial, operational and risk management practices, and to retain talent. Eligible employees are selected by the Nomination & Remuneration Committee, generally during the annual award cycle, and the proportion of each variable award that is deferred varies by employee. The number of deferred rights awarded is determined by dividing the discretionary deferred award amount by the PTM share price, using a volume weighted average price (VWAP) of the PTM shares over the seven (7) trading days prior to the award acceptance date. If an eligible employee remains employed at Platinum after the four year vesting period, the employee then has a further five years to exercise their deferred right. If an employee resigns from Platinum before they have met their service condition then, in most circumstances, the deferred rights will be forfeited.

In order to satisfy the obligation to the Company that arises from the granting of deferred awards, the Company intends to purchase shares on-market and then hold these shares within an Employee Share Trust. Upon vesting, eligible employees will receive one ordinary share in PTM from the Employee Share Trust in satisfaction of each of their rights. No amount is payable by any eligible employee on either award or on exercise. There is flexibility within the plan for the Committee to award cash or some other instrument rather than deferred shares, but the Committee currently envisages awarding shares only.

Eligible employees will have no voting or dividend rights until their deferred rights have been exercised and their shares have been allocated. However, the deferred rights also carry an entitlement to a dividend equivalent payment. Upon the valid exercise of a deferred right (or deemed exercise), an eligible employee will be entitled to receive an amount approximately equal to the amount of dividends that would have been paid to the eligible employee had they held the share from the grant date to the date that the deferred rights are exercised.

Long-Term Remuneration Plans
Platinum has two inactive long-term Remuneration Plans, being an "Options and Performance Rights Plan" (OPRP) and a "Fund Appreciation Rights Plan" (FARP). There was no allocation under either plan in either the current or prior year.

Key Management Personnel ("KMP")

For the purposes of this report, KMP of the consolidated entity in office at any time during the financial year were:

NAME	POSITION
Michael Cole	Chairman and Non-Executive Director
Stephen Menzies	Non-Executive Director
Anne Loveridge	Non-Executive Director
Brigitte Smith	Non-Executive Director
Tim Trumper	Non-Executive Director
Andrew Clifford	Chief Executive Officer (CEO) and Managing Director
Kerr Neilson	Executive Director (Non-Executive Director from 31 August 2020)
Elizabeth Norman	Executive Director and Director of Investor Services and Communications
Andrew Stannard	Executive Director and Chief Financial Officer

There were no other employees that held a KMP position within the Company or consolidated entity.

Managing Director and other KMP Remuneration

Managing Director/CEO Remuneration

Mr Andrew Clifford is both the Managing Director/CEO and Chief Investment Officer (CIO) of the Company.

Mr Clifford is eligible for discretionary awards under the CEO Plan (capped at A$1 million), subject to meeting certain key performance indicators (KPIs), as set by the Board.

In addition, Mr Clifford is entitled to receive discretionary awards in relation to his role as CIO via the Investment Team Plan (ITP) and the Profit Share Plan (PSP)[5].

All amounts awarded to Mr Clifford under the CEO Plan, ITP or PSP will be provided to Mr Clifford as an equivalent award of deferred equity rights issued pursuant to the Deferred Remuneration Plan.

Despite the achievement of a number of KPI's, (see table below) in light of the disappointing investment performance achieved by the international flagship fund and reduced profitability of the Company, Mr Clifford elected not to receive any variable incentive awards from the CEO Plan, Investment Team Plan or the Profit Share Plan. The Board accepted his election.

5 For further information on Mr Clifford's employment terms and remuneration package, please refer to the Company's ASX announcement dated 4 October 2019.

DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued

CEO PLAN: SHORT TERM INCENTIVE	KEY PERFORMANCE INDICATORS AND PERFORMANCE	
	PERFORMANCE MEASURES (EQUALLY WEIGHTED)	FY20 PERFORMANCE AGAINST KPI'S
	Revenue and Profit Growth	Average base fee revenue fell by 7% (target increase was 10%) Average base fee margins maintained Adjusted profit (excluding investment income and performance fees) decreased by 9.5% (target increase was 10%) *Overall Assessment: Did not meet target*
	Delivery against strategic plan – diversification of client base	Significant activity across Europe and US New Cayman Funds seeded Some new customer growth in UCIT funds However, due mostly to disappointing relative investment performance coupled with poor general equity market conditions, overall growth in client assets was disappointing in 2020 *Overall Assessment: Partially met target*
MAXIMUM AWARD: $1M AWARDED: NIL	People and Culture Leadership	Enhanced cohesion and stability of the investment team with no regretted departures Excellent results from staff culture survey Staff engagement and performance successfully maintained after transition to remote working due to COVID-19 *Overall Assessment: Met target*
	Risk Management & Operational Effectiveness	No significant regulatory issues identified in 2020 No significant errors or breaches of investment guidelines Continued enhancement of risk management framework and corporate Governance IT infrastructure strengthened and Operational effectiveness maintained during COVID crisis and shift to working from home *Overall Assessment: Met target*

The same four performance measure will apply for Mr Clifford's 2021 financial year scorecard.

Other KMP Remuneration

Kerr Neilson continued to waive his ability to receive variable compensation. This waiver was accepted by the Nomination & Remuneration Committee and agreed by the Board.

The variable compensation paid to Elizabeth Norman reflected her role as Director of Investor Services and Communications and her leadership and involvement in the development of several initiatives during the year, including the marketing of new offshore funds (to support US business initiatives), ongoing work associated with our European business operations, research into new onshore product opportunities, and a substantial expansion (pre-COVID) of our communications with both advisors and investors.

The variable compensation paid to Andrew Stannard reflected both his operational leadership and the strategic input that he provided into various business development opportunities for the business. Highlights included the implementation of various cost savings initiatives, the delivery of a number of operational and business development initiatives and the operational leadership of our offshore expansion efforts.

Remuneration of Executive Key Management Personnel (KMP)

The table below presents disclosure of the remuneration provided by the consolidated entity to executive KMP's of the consolidated entity, based on the amounts awarded to the individuals during the year.

	CASH SALARY $	SUPER-ANNUATION $	VARIABLE REMUNERATION (CASH) (1) $	VARIABLE REMUNERATION (DEFERRED) (2) $	TOTAL $	VARIABLE REMUNERATION AS A % OF TOTAL REMUNERATION (3)
2020						
Andrew Clifford	**450,000**	**21,003**	**–**	**–**	**471,003**	**0%**
Kerr Neilson	**450,000**	**21,003**	**–**	**–**	**471,003**	**0%**
Elizabeth Norman	**425,000**	**21,003**	**725,000**	**450,000**	**1,621,003**	**72%**
Andrew Stannard	**425,000**	**21,003**	**400,000**	**150,000**	**996,003**	**55%**
	1,750,000	**84,012**	**1,125,000**	**600,000**	**3,559,012**	**48%**
2019						
Andrew Clifford	450,000	20,531	–	–	470,531	0%
Kerr Neilson	450,000	20,531	–	–	470,531	0%
Elizabeth Norman	425,000	20,531	900,000	350,000	1,695,531	74%
Andrew Stannard	425,000	20,531	425,000	150,000	1,020,531	56%
	1,750,000	82,124	1,325,000	500,000	3,657,124	50%

(1) See the "Variable Remuneration Plans" section above for further details. The "variable remuneration (cash)" attributable to Andrew Clifford is comprised of awards under the Investment Team Plan. The cash awards made to Elizabeth Norman and Andrew Stannard were made under the General Employee Plan.

(2) The "variable remuneration (deferred)" amount noted above reflects the award amounts attributed to each individual in the current financial year. These awards vest 4 years after the award date.

(3) Fixed remuneration refers to salary and superannuation. Variable remuneration refers to both cash and deferred components.

DIRECTORS' REPORT

CONTINUED

Remuneration Report – continued

The table below presents the remuneration provided by the consolidated entity to executive KMP of the consolidated entity, in accordance with accounting standards.

	CASH SALARY $	OTHER [1] $	SUPER-ANNUA-TION $	VARIABLE REMUNER-ATION (CASH) [2] $	VARIABLE REMUNER-ATION (DEFERRED) [3] $	TOTAL $	VARIABLE REMUNER-ATION AS A % OF TOTAL REMUNER-ATION [4]
2020							
Andrew Clifford	**450,000**	**6,086**	**21,003**	**–**	**174,000**	**651,089**	**27%**
Kerr Neilson	**450,000**	**(12,818)**	**21,003**	**–**	**–**	**458,185**	**0%**
Elizabeth Norman	**425,000**	**6,061**	**21,003**	**725,000**	**343,500**	**1,520,564**	**70%**
Andrew Stannard	**425,000**	**27,632**	**21,003**	**400,000**	**95,700**	**969,335**	**51%**
	1,750,000	**26,961**	**84,012**	**1,125,000**	**613,200**	**3,599,173**	**48%**
2019							
Andrew Clifford	450,000	23,512	20,531	–	174,000	668,043	26%
Kerr Neilson	450,000	(29,211)	20,531	–	–	441,320	0%
Elizabeth Norman	425,000	20,155	20,531	900,000	224,525	1,590,211	71%
Andrew Stannard	425,000	(14,154)	20,531	425,000	69,050	925,427	53%
	1,750,000	302	82,124	1,325,000	467,575	3,625,001	49%

(1) "Other" represents the increase/(decrease) in the accounting provision for annual and long service leave. These amounts were not received by the Executive Directors and represent provisions made in the consolidated entity's statement of financial position.

(2) See the "Variable Remuneration Plans" section above for further details. Andrew Clifford received no cash variable awards from either the Investment Team Plan or the Profit Share Plan. The cash awards made to Elizabeth Norman and Andrew Stannard were made under the General Employee Plan.

(3) The accounting fair value attributed to each deferred award is spread over the five year service period. The accounting valuation of $174,000 attributable to Andrew Clifford represents the current year portion of the 2018 deferred award of $1,000,000. The accounting valuation of $343,500 attributable to Elizabeth Norman represents the current year portion of the 2020 deferred award of $450,000, the 2019 award of $350,000, the 2018 award of $350,000, the 2017 award of $300,000 and the 2016 award of $300,000. The accounting valuation of $95,700 attributable to Andrew Stannard represents the current year portion of the 2020 deferred award of $150,000, the 2019 award of $150,000, the 2018 award of $150,000 and the 2017 award of $100,000.

(4) Fixed remuneration refers to salary, superannuation and provisions or payments made for annual and long service leave. Variable remuneration refers to both cash and deferred components.

Remuneration of Non-Executive Directors

Remuneration Policy

The Company's remuneration policy for Non-Executive Directors is designed to ensure that the Company can attract and retain suitably-qualified and experienced directors.

It is the policy of the Board to remunerate at market rates. Non-Executive Directors receive a fixed fee and mandatory superannuation payments. Non-Executive Directors do not receive variable compensation and are not eligible to participate in any variable remuneration plans. The Executive Directors examine the base pay of the Non-Executive Directors annually and may utilise the services of an external advisor to assist with this.

The Executive Directors determine the remuneration of the Non-Executive Directors within the maximum approved shareholder limit. The aggregate amount of remuneration that can be paid to the Non-Executive Directors, which was approved by shareholders at a general meeting in April 2007, is $2 million per annum (including superannuation).

No other retirement benefits (other than mandatory superannuation) are provided to the Non-Executive Directors. There are no termination payments payable on the cessation of office and any Director may retire or resign from the Board, or be removed by a resolution of shareholders. The Constitution of the Company specifies that any change to the maximum amount of remuneration that can be paid to the Non-Executive Directors requires the approval of shareholders.

Remuneration Structure

The following table displays the current Non-Executive Directors and their roles at 30 June 2020.

NON-EXECUTIVE DIRECTOR	MICHAEL COLE	ANNE LOVERIDGE	STEPHEN MENZIES	BRIGITTE SMITH	TIM TRUMPER
Board	Chair	Director	Director	Director	Director
Audit, Risk & Compliance Committee	Member	Chair	Member	Member	Member
Nomination & Remuneration Committee	Member	Member	Chair	Member	Member

DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued

The table below shows how the cash salary remuneration is allocated reflecting their roles at 30 June 2020.

NON-EXECUTIVE DIRECTOR	MICHAEL COLE	ANNE LOVERIDGE	STEPHEN MENZIES	BRIGITTE SMITH	TIM TRUMPER
Board	$170,000	$130,000	$130,000	$130,000	$130,000
Audit, Risk & Compliance Committee	$15,000	$30,000	$15,000	$15,000	$15,000
Nomination & Remuneration Committee	$15,000	$15,000	$30,000	$15,000	$15,000
Total	**$200,000**	**$175,000**	**$175,000**	**$160,000**	**$160,000**

Remuneration of Non-Executive Directors

The table below presents actual amounts received by the Non-Executive Directors.

	CASH SALARY $	SUPER-ANNUA-TION $	VARIABLE REMUNER-ATION (CASH) $	VARIABLE REMUNER-ATION (DEFERRED) $	TOTAL $
2020					
Michael Cole	**200,000**	**19,000**	**–**	**–**	**219,000**
Stephen Menzies	**175,000**	**16,625**	**–**	**–**	**191,625**
Anne Loveridge	**175,000**	**16,625**	**–**	**–**	**191,625**
Brigitte Smith	**160,000**	**15,200**	**–**	**–**	**175,200**
Tim Trumper	**160,000**	**15,200**	**–**	**–**	**175,200**
	870,000	**82,650**	**–**	**–**	**952,650**
2019					
Michael Cole	200,000	19,000	–	–	219,000
Stephen Menzies	175,000	16,625	–	–	191,625
Anne Loveridge	175,000	16,625	–	–	191,625
Brigitte Smith	160,000	15,200	–	–	175,200
Tim Trumper (from 1 August 2018)	146,667	13,933	–	–	160,600
	856,667	81,383	–	–	938,050

Stephen Menzies is Platinum Investment Management Limited's (PIML's) nominee on the Board of the offshore UCITS company, Platinum World Portfolios Plc (PWP) and payments are made directly by PWP. Amounts paid in the current year were €24,000 (equivalent to A$40,928) (2019: €24,000 (equivalent to A$38,309)).

Managing Director and other Senior Executive employment agreements
The key aspects of the KMP contracts are outlined below:

- Remuneration and other terms of employment for Non-Executive Directors are formalised in letters of appointment.
- All contracts (both Executive and Non-Executive) include the components of remuneration that are to be paid to KMP and provide for annual review, but do not prescribe how remuneration levels are to be modified from year to year.
- The tenure of all Directors, except for the Managing Director, Mr Andrew Clifford, is subject to approval by shareholders at every third AGM or other general meeting convened for the purposes of election of Directors.
- In the event of termination, all KMP are entitled to receive their statutory leave entitlements and superannuation benefits. In relation to variable remuneration plans, upon resignation, variable remuneration is only paid if the Executive Director is still employed at the date of payment. However, the Board retains discretion to make variable remuneration payments (both cash and deferred) in certain exceptional circumstances, such as bona-fide retirement.
- Mr Andrew Clifford can terminate his employment by providing twelve months' notice. All other Executive Directors can terminate their appointment by providing six months' notice.
- Mr Andrew Clifford has entered into a post-employment restraint whereby he may not solicit either employees or clients for a period of twelve months.
- Non-Executive Directors may resign by written notice to the Chairman and where circumstances permit, it is desirable that reasonable notice of an intention to resign is given to assist the Board in succession planning.

Mr Kerr Neilson will retire as an employee of Platinum Investment Management Limited but will remain a Director of the Company (albeit a Non-Executive Director) with effect from 31 August 2020.

DIRECTORS' REPORT

CONTINUED

Remuneration Report – continued

Interests of Non-Executive and Executive Directors in shares

The relevant interest in ordinary shares of the Company that each Director held at balance date was:

	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE
Michael Cole	240,000	–	–	240,000
Stephen Menzies	40,000	–	–	40,000
Anne Loveridge	22,000	–	–	22,000
Brigitte Smith	41,666	–	–	41,666
Tim Trumper	18,900	–	–	18,900
Andrew Clifford(1)	32,831,449	–	–	32,831,449
Kerr Neilson	252,074,841	–	–	252,074,841
Elizabeth Norman(2)	766,748	–	–	766,748
Andrew Stannard(3)	–	–	–	–

(1) Andrew Clifford also has contingent rights to receive up to 165,563 shares pursuant to awards made under the Company's deferred remuneration plan.

(2) Elizabeth Norman also has contingent rights to receive up to 319,335 shares and vested but unexercised rights equivalent to 48,623 shares, both pursuant to awards made under the Company's deferred remuneration plan.

(3) Andrew Stannard has contingent rights to receive up to 119,211 shares pursuant to awards made under the Company's deferred remuneration plan.

Oversight and Governance

The Board, through its Nomination & Remuneration Committee, provides oversight of remuneration and incentive policies. This particularly includes oversight of the remuneration and employment packages and terms of employment for Executive Directors, Non-Executive Directors (NEDs) and Senior Managers.

The role of the Nomination & Remuneration Committee is set out in its Charter. Its responsibilities include the following functions that are relevant to remuneration:

- To review and make recommendations to the Board in respect of the CEO, Executive Director, and Non-Executive Director appointments;
- To review and make recommendations to the Board in respect of the variable remuneration awards in respect of the CEO/CIO, Executive Directors, Senior Managers and Portfolio Managers;
- To provide oversight on the overall aggregate variable remuneration outcome for Platinum, ensuring appropriate alignment with all stakeholders;
- To review significant changes in remuneration policy and structure, including deferred remuneration plans and benefits;
- To oversee the Company's strategic human resources initiatives, including diversity and inclusion;

- To make ongoing assessments of the collective skills required to effectively discharge the Board's duties;
- To review the composition, functions, responsibilities and size of the Board as well as Director tenure; and
- To ensure appropriate Board succession planning.

During the 2020 financial year, the Nomination & Remuneration Committee dealt with the following significant items that relate to remuneration arrangements:

- Continued to push forward our program of Board renewal and completed the search for a new Chairman;
- Reviewed and updated the CEO's remuneration arrangements and KPIs;
- Reviewed and recommended to the Board the aggregate 2019/2020 variable remuneration pool for Platinum as well as the individual awards for the CEO, executive directors and senior managers;
- Oversaw the development of Platinum's corporate values; and
- Approved Platinum's revised diversity objectives and a diversity and inclusion policy.

Remuneration services provided to management and the Committee
The firm utilised Financial Institutions Remuneration Group (FIRG) as the primary source of remuneration benchmarking data and PricewaterhouseCoopers (PwC) as a consultant to the remuneration and benefit plans both in Australia and also in the UK. In addition, certain KMP roles were benchmarked to publically available information at comparable companies.

Directors' interests in contracts
The Directors received remuneration that is ultimately derived from net income arising from Platinum Investment Management Limited's investment management contracts.

Loans to KMP and their related parties
No loans were provided to KMP or their related parties during the year or at the date of this report.

Other related party payments involving KMP
In the current year, the consolidated entity paid $60,000 (2019: $70,000) to OneVue Services Pty Limited for the provision of services associated with the build, customisation and enhancement of the Platinum web-site. OneVue is a related party of the Chairman of Platinum Asset Management Limited, Mr Michael Cole. These services are provided on an arms length basis and the Chairman was not involved in the decision to utilise OneVue's services.

Shareholders' Approval of the 2019 (prior year) Remuneration Report
A 25% or higher "no" vote on the Remuneration Report at an AGM triggers a reporting obligation on a listed company to explain in its next Annual Report how concerns are being addressed. At the last AGM (held 20th November 2019), the Company's Remuneration Report was carried on a poll and received a vote in favour of 96.69%.

DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued

Link between performance and KMP remuneration paid by the consolidated entity

The table below shows Platinum's five year performance across a range of metrics and corresponding KMP incentive outcomes.

	2020	2019	2018	2017	2016
Closing funds under management ($m)	**21,385**	24,769	25,699	22,713	22,688
Average funds under management ($m)	**23,749**	25,394	26,528	23,443	25,821
Net flows ($m)	**(3,031)**	(246)	1,034	(3,565)	(1,440)
Average base management fee (bps p.a.)	**116**	116	116	127	124
Base fee revenue ($m)	**276**	295	307	296	320
Total revenue and other income ($'000)	**298,666**	299,320	353,290	333,549	344,658
Total expenses ($'000)	**77,897**	76,421	84,966	62,971	62,464
Operating profit after tax ($'000)	**155,611**	158,336	191,594	192,647	199,870
Basic earnings per share (cents per share)	**26.76**	27.03	32.36	31.74	34.24
Total dividends (cents per share)	**24**	27	32	30	32
Share price at end of year	**3.73**	4.85	5.76	4.63	5.76
Total aggregate KMP fixed remuneration paid ($)(1)	**2,854,551**	2,808,483	2,510,503	2,558,913	2,518,991
Total aggregate KMP variable remuneration paid ($)(2)	**1,738,200**	1,792,575	4,762,595	1,721,800	1,452,200

(1) Total aggregate fixed remuneration paid represents salaries and superannuation (and includes the Director's Fees disclosed and paid to Stephen Menzies for his Directorship of the UCITS fund). The amount is higher in FY2020 and FY2019 due to the appointment of additional Directors in FY2019 and FY2018.

(2) The increase in 2018 KMP variable remuneration reflected Investment Team and Profit Share Plan awards made to the CIO related to the significant investment out-performance generated for clients in that year.

The level of aggregate KMP remuneration paid each year reflects a combination of factors, including investment performance for clients, the operating performance of the firm, individual and team performance and also the degree of competition for executive talent.

AUDITOR'S INDEPENDENCE DECLARATION

pwc

As lead auditor for the audit of Platinum Asset Management Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Platinum Asset Management Limited and the entities it controlled during the period.

R Balding
Partner
PricewaterhouseCoopers

26 August 2020
Sydney

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		CONSOLIDATED	
	NOTE	**2020 $'000**	2019 $'000
Revenue			
Management fees		**275,902**	295,188
Performance fees		**9,078**	30
		284,980	295,218
Other income			
Interest		**1,707**	3,542
Distributions and dividends	11	**1,855**	3,714
Share of profit/(loss) of associates	2	**7,426**	(2,599)
Gains/(losses) on financial assets at fair value through profit or loss		**1,237**	(2,103)
Foreign exchange gains on overseas bank accounts		**1,461**	1,548
Total revenue and other income		**298,666**	299,320
Expenses			
Staff		**37,207**	38,743
Custody and unit registry		**11,274**	12,755
Business development		**6,579**	7,119
Share-based payments	20	**6,803**	4,858
Legal, compliance and other professional		**3,581**	2,892
Research		**2,838**	2,617
Technology		**2,502**	2,366
Mail house, periodic reporting and share registry		**1,123**	1,192
Depreciation of fixed assets	7	**1,870**	737
Rent and other occupancy	26	**463**	1,944
Depreciation of right-of-use assets	26	**1,926**	–
Finance costs on lease liabilities	26	**239**	–
Insurance		**847**	589
Audit fee	22	**417**	447
Other		**228**	162
Total expenses		**77,897**	76,421
Profit before income tax expense		**220,769**	222,899
Income tax expense	12(a)	**65,158**	64,563
Profit after income tax expense for the year		**155,611**	158,336

		CONSOLIDATED	
	NOTE	**2020 $'000**	2019 $'000
Other comprehensive income			
Exchange rate translation impact of foreign subsidiaries	15	**(1,040)**	(16)
Other comprehensive income for the year, net of tax		**(1,040)**	(16)
Total comprehensive income for the year		**154,571**	158,320
Profit after income tax expense for the year is attributable to:			
Owners of Platinum Asset Management Limited		**155,611**	157,651
Non-controlling interests		**–**	685
		155,611	158,336

		CENTS	CENTS
Basic earnings per share	10	**26.76**	27.03
Diluted earnings per share	10	**26.76**	27.03

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTE	CONSOLIDATED **2020 $'000**	 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		**105,333**	112,947
Term deposits		**49,876**	81,877
Trade and other receivables	6	**34,682**	27,922
Total current assets		**189,891**	222,746
Non-current assets			
Equity investments in associates	2(a)	**125,019**	117,593
Financial assets at fair value through profit or loss	5	**27,626**	183
Fixed assets	7	**4,007**	3,616
Right-of-use assets	26	**8,669**	–
Total non-current assets		**165,321**	121,392
Total assets		**355,212**	344,138
Liabilities			
Current liabilities			
Trade and other payables	8	**5,575**	8,108
Employee benefits	9	**3,757**	3,197
Lease liabilities	26	**1,744**	–
Income tax payable		**10,825**	5,082
Total current liabilities		**21,901**	16,387
Non-current liabilities			
Provisions	9	**1,009**	1,560
Employee benefits	9	**628**	612
Lease liabilities	26	**7,085**	–
Net deferred tax liabilities	12(b)	**5,628**	4,491
Total non-current liabilities		**14,350**	6,663
Total liabilities		**36,251**	23,050
Net assets		**318,961**	321,088

	NOTE	CONSOLIDATED **2020** **$'000**	 2019 $'000
Equity			
Issued capital	14	**717,998**	723,490
Reserves	15	**(572,082)**	(576,863)
Retained profits	16	**173,045**	174,461
Total equity attributable to the owners of Platinum Asset Management Limited		**318,961**	**321,088**
Total equity attributable to non-controlling interests:			
Non-controlling interests	4	**–**	–
Total equity		**318,961**	321,088

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED PROFITS $'000	NON-CONTROL–LING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 July 2019	**723,490**	**(576,863)**	**174,461**	**–**	**321,088**
Profit after income tax expense for the year	–	–	155,611	–	155,611
Other comprehensive income					
Exchange rate translation impact of foreign subsidiaries (Note 15)	–	(1,040)	–	–	(1,040)
Total comprehensive income for the year	–	(1,040)	155,611	–	154,571
Transactions with owners in the capacity as owners					
Treasury shares acquired (net) (Note 14)	(5,492)	–	–	–	(5,492)
Share-based payments reserve (Note 15)	–	5,821	–	–	5,821
Dividends paid (Note 17)	–	–	(157,027)	–	(157,027)
Balance at 30 June 2020	**717,998**	**(572,082)**	**173,045**	**–**	**318,961**

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED PROFITS $'000	NON-CONTROL–LING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 July 2018	**731,245**	**(582,006)**	**185,940**	**75,936**	**411,115**
Profit after income tax expense for the year	–	–	157,651	685	158,336
Other comprehensive income					
Exchange rate translation impact of foreign subsidiaries (Note 15)	–	(16)	–	–	(16)
Total comprehensive income for the year	–	(16)	157,651	685	158,320
Transactions with owners in the capacity as owners					
Treasury shares acquired (Note 14)	(7,755)	–	–	–	(7,755)
Share-based payments reserve (Note 15)	–	5,159	–	–	5,159
Dividends paid (Note 17)	–	–	(169,130)	–	(169,130)
Transactions with non-controlling interest	–	–	–	56,199	56,199
Decrease in retained earnings on deconsolidation of PAXX (Note 4)	–	–	–	(1,701)	(1,701)
Decrease in equity on deconsolidation of PAXX	–	–	–	(131,119)	(131,119)
Balance at 30 June 2019	**723,490**	**(576,863)**	**174,461**	**–**	**321,088**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	CONSOLIDATED 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from operating activities		**277,363**	299,886
Payments for operating activities		**(76,532)**	(75,982)
Finance costs paid		**(239)**	–
Income taxes paid		**(57,903)**	(57,569)
Net cash from operating activities	13	**142,689**	166,335
Cash flows from investing activities			
Interest received		**1,920**	3,435
Purchase of term deposits		**(339,753)**	(375,752)
Proceeds on maturity of term deposits		**371,754**	321,753
Payments for purchases of fixed assets	7	**(2,261)**	(1,367)
Dividends and distributions received from seed investments		**2,558**	2,421
Receipts from sale of financial assets		**66**	–
Payments for purchases of financial assets		**(26,167)**	–
Purchase of units held directly by PAXX (whilst consolidated)	4	**–**	(56,199)
Net cash from/(used in) investing activities		**8,117**	(105,709)
Cash flows from financing activities			
Dividends paid	17	**(157,027)**	(169,130)
Proceeds from units issued (net applications into PAXX)		**–**	56,199
Payment of lease liability principal		**(1,855)**	–
Net cash (used in) financing activities		**(158,882)**	(112,931)
(Decrease)/increase in cash and cash equivalents		**(8,076)**	(52,305)
Cash and cash equivalents at the beginning of the financial year		**112,947**	163,799
Effects of exchange rate changes on cash and cash equivalents		**462**	1,453
Cash and cash equivalents at the end of the financial year		**105,333**	112,947

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ("IFRSs") adopted by the International Accounting Standards Board ("IASB").

Basis of Preparation

The consolidated financial statements are presented in Australian Dollars, which is the consolidated entity's functional and presentation currency, with all values rounded to the nearest thousand dollars ('$000), in accordance with ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191, unless otherwise stated. The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets and liabilities at fair value through profit or loss.

Platinum Investment Management Limited ("PIML") has seeded or invested in a number of the products it offers to investors and this has impacted on the accounting treatment adopted in the consolidated financial statements as follows:

ENTITY	PIML OWNERSHIP INTEREST AT 30 JUNE 2020	ACCOUNTING TREATMENT ADOPTED IN THESE ACCOUNTS
Platinum Asia Ex-Japan Opportunities Master Fund Ltd^	100%	Subsidiary. Consolidation accounting applied.
Platinum Asia Ex-Japan Opportunities Fund Ltd^	100%	Subsidiary. Consolidation accounting applied.
Platinum Global Opportunities Master Fund Ltd^	100%	Subsidiary. Consolidation accounting applied.
Platinum Global Opportunities Fund Ltd^	100%	Subsidiary. Consolidation accounting applied.
Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX")	18.3%	Investment in associate. Equity accounting applied (see Note 2).*
Platinum World Portfolios Plc ("PWP")	14.8%	Investment in associate. Equity accounting applied (see Note 2).*
Platinum Asia Investments Limited ("PAI")	8.2%	Investment in associate. Equity accounting applied (see Note 2).*
Platinum Trust Funds	Less than 1% in each Fund.	Fair value accounting applied (see Note 5).

^ These Cayman Island domiciled funds were seeded by PIML in June 2020 (collectively referred to as the "Cayman Funds").

* At 30 June 2020, PIML (and the consolidated entity) was assessed as having significant influence over Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX"), Platinum Asia Investments Limited ("PAI") and Platinum World Portfolios Plc ("PWP") (Refer to Note 2 for further details).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Basis of Preparation – continued

In order to better present the accounting treatment of the investments adopted in these consolidated accounts (as presented in the table above), management has presented the notes in three parts:

PART A – Notes 1 to 4: Notes that explain the accounting treatment of the entities that form part of the Platinum consolidated group or investments in associates

PART B – Notes 5 to 22: Operations – Notes that explain the operations of the consolidated entity

PART C – Notes 23 to 29: Miscellaneous Notes that are required by the accounting standards

Significant accounting policies

The principal accounting policies have been included in the relevant notes to which the policy relates and have been consistently applied to all financial years presented in these consolidated financial statements except for AASB 16 *Leases* which has been applied from 1 July 2019 without restating comparatives for 30 June 2019 as is permitted by the transitional provisions (Refer to Note 26 for further details).

Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions. The areas where assumptions and estimates are significant to the consolidated financial statements are outlined after the relevant accounting policy in the relevant notes. The accounting impact of the treatment of the products that PIML has seeded or invested in, is the most critical accounting judgement, estimate or assumption within these consolidated financial statements.

PART A – Notes 1 to 4

Notes that explain the accounting treatment of the entities that form part of the Platinum consolidated group or investments in associates

Notes 1 to 4 focus on the accounting treatment adopted in these accounts and contain key information relating to the parent entity, subsidiaries, controlled entities and associates.

Note 1. Subsidiaries and controlled entities

At 30 June 2020 and 30 June 2019, the Company's subsidiaries and the ownership interests were as follows.

NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST **2020** %	2019 %
McRae Pty Limited	Australia	**100**	100
Platinum Asset Pty Limited	Australia	**100**	100
Platinum Investment Management Limited ("PIML")	Australia	**100**	100
Platinum Employee Share Trust^	Australia	**100**	100
Platinum Investment Management Australia (PIMA) Corp.*	United States	**–**	100
Platinum GP Pty Limited	Australia	**100**	100
Platinum UK Asset Management Limited**	United Kingdom	**100**	100
Platinum Management Malta Limited**	Malta	**100**	–
Platinum Asia Ex-Japan Opportunities Master Fund Ltd***	Cayman Islands	**100**	100
Platinum Asia Ex-Japan Opportunities Fund Ltd***	Cayman Islands	**100**	100
Platinum Global Opportunities Master Fund Ltd***	Cayman Islands	**100**	100
Platinum Global Opportunities Fund Ltd***	Cayman Islands	**100**	100
Platinum Europe Opportunities Master Fund Ltd****	Cayman Islands	**100**	100
Platinum Europe Opportunities Fund Ltd****	Cayman Islands	**100**	100
Platinum Japan Opportunities Master Fund Ltd****	Cayman Islands	**100**	100
Platinum Japan Opportunities Fund Ltd****	Cayman Islands	**100**	100

^ Platinum Employee Share Trust holds PTM shares on behalf of employees selected to participate in the Deferred Remuneration Plan (see Note 20 for further details).

* The entity was dissolved on 11 June 2020.

** Platinum UK Asset Management Limited and Platinum Management Malta Limited both act as sales and servicing centres for the consolidated entity, predominantly with the objective of generating additional fund inflows into Platinum World Portfolios Plc.

*** Cayman Funds started trading on 1 June 2020. The consolidated entity contributed US Dollar 10 million each into Platinum Asia Ex-Japan Opportunities Fund Ltd and Platinum Global Opportunities Fund Ltd.

**** Dormant entities.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 1. Subsidiaries and controlled entities – continued

ACCOUNTING POLICY

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Platinum Asset Management Limited ("Company" or "parent entity") as at 30 June 2020 and the results of all subsidiaries for the financial year. Platinum Asset Management Limited and its subsidiaries together are referred to in these consolidated financial statements as the 'consolidated entity' or 'group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns, through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, all intercompany transactions, balances and unrealised gains arising within the consolidated entity are eliminated in full.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each financial position presented are translated at the balance date;
- Income and expenses included in the consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income in the foreign currency translation reserve.

Note 2. Equity investments in associates

At 30 June 2020, the consolidated entity's investment(s) in Platinum Asia Investments Limited ("PAI"), Platinum World Portfolios Plc ("PWP") and Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX") represent interests in associates which are accounted for using the equity method of accounting. Information relating to this is shown below:

a. Interests in associates

ENTITY	COUNTRY OF INCORP-ORATION	EQUITY INTEREST %		FAIR VALUE $'000		CARRYING AMOUNT $'000		REASON FOR ASSESSMENT OF SIGNIFICANT INFLUENCE
		2020	2019	**2020**	2019	**2020**	2019	
PAI	Australia	**8.2**	8.3	**30,300**	30,900	**34,549**	32,567	Ownership interest was 8.2% at 30 June 2020; PIML acts as Investment Manager (IM) in accordance with the Investment Management Agreement; PIML provides performance and exposure reports to the PAI Board.
PWP	Ireland	**14.8**	14.6	**64,265**	63,444	**64,265**	61,631	Ownership interest was 14.8% at 30 June 2020; PIML acts as IM in accordance with the Investment Management Agreement; the Company provides performance and exposure reports to the PWP Board and Stephen Menzies is a Director of PWP and a Director of Platinum Asset Management Limited.
PAXX	Australia	**18.3**	14.7	**26,205**	23,395	**26,205**	23,395	Ownership interest was 18.3% at 30 June 2020; PIML acts as IM for PAXX and its underlying fund, Platinum Asia Fund.
				120,770	117,739	**125,019**	117,593	

The fair value of PAI reflects the 30 million shares held multiplied by the PAI closing share price at 30 June 2020 of $1.01 (2019: $1.03).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 2. Equity investments in associates – continued

The fair value of PWP reflects the shares held in the sub-funds multiplied by their respective closing share prices at 30 June 2020.

The fair value of PAXX reflects units held multiplied by the PAXX's 30 June 2020 ex-redemption price of $4.71 (2019: $4.20).

The carrying value reflects the consolidated entity's share of each associate's net assets, including assessment of any impairment (see Note 2b for further details).

b. Share of associates' statement of financial position

	TOTAL ASSETS $'000	TOTAL LIABILITIES* $'000	NET ASSETS $'000
30 June 2020			
Associates financial position			
Platinum Asia Investments Limited	**432,120**	**13,343**	**418,777**
Platinum World Portfolios Plc	**454,211**	**5,370**	**448,841**
PAXX	**146,220**	**3,022**	**143,198**
Total associates' statement of financial position			**1,010,816**
Group's share of associate			
Platinum Asia Investments Limited	**35,650**	**1,101**	**34,549**
Platinum World Portfolios Plc	**65,034**	**769**	**64,265**
PAXX	**26,758**	**553**	**26,205**
Total associates' statement of financial position			**125,019**

Note 2. Equity investments in associates – continued

b. Share of associates' statement of financial position – continued

	TOTAL ASSETS $'000	TOTAL LIABILITIES* $'000	NET ASSETS $'000
30 June 2019			
Associates financial position			
Platinum Asia Investments Limited	401,222	7,900	393,222
Platinum World Portfolios Plc	426,498	4,653	421,845
PAXX	168,320	9,602	158,718
Total associates' statement of financial position			973,785
Group's share of associate			
Platinum Asia Investments Limited	33,221	654	32,567
Platinum World Portfolios Plc	62,311	680	61,631
PAXX	24,810	1,415	23,395
Total associates' statement of financial position			117,593

* Associates total liabilities include non-current assets of $9,236,000 (2019: $2,686,000).

c. Carrying amount of investment using the equity method

	2020 $'000	2019 $'000
Opening balance	**117,593**	95,920
Initial recognition of PAXX as an equity investment on deconsolidation	**–**	24,272
Share of associates' profit (see Note 2d below)	**9,188**	1,100
Dividends paid (see Note 2d below)	**(1,762)**	(3,699)
Closing balance (see Note 2a)	**125,019**	117,593

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 2. Equity investments in associates – continued

d. Associate's net income

	PLATINUM ASIA INVESTMENTS LIMITED $'000	PLATINUM WORLD PORTFOLIOS PLC $'000	PAXX $'000	TOTAL $'000
30 June 2020				
Associates' net income				
Total investment income	**63,942**	**32,319**	**19,464**	**115,725**
Total expenses	**8,664**	**7,828**	**–**	**16,492**
Profit/(loss) before tax	**55,278**	**24,491**	**19,464**	**99,233**
Income tax expense	**(16,669)**	**–**	**–**	**(16,669)**
Total profit/(loss) after tax	**38,609**	**24,491**	**19,464**	**82,564**
Group's share of associate				
Total investment income	**5,275**	**1,083**	**3,562**	**9,920**
Total expenses	**715**	**262**	**–**	**977**
Profit/(loss) before tax	**4,560**	**821**	**3,562**	**8,943**
Income tax expense	**(1,375)**	**–**	**–**	**(1,375)**
Total profit/(loss) after tax	**3,185**	**821**	**3,562**	**7,568**
Dividend received and dilution of unitholding throughout the year and foreign currency translation impact	**(1,202)**	**1,812**	**(752)**	**(142)**
Realised and unrealised gain on investment in associate	**1,983**	**2,633**	**2,810**	**7,426**

Note 2. Equity investments in associates – continued

d. Associate's net income – continued

	PLATINUM ASIA INVESTMENTS LIMITED $'000	PLATINUM WORLD PORTFOLIOS PLC $'000	PAXX $'000	TOTAL $'000
30 June 2019				
Associates' net income				
Total investment income	6,284	(18,038)	2,757	(8,997)
Total expenses	(6,552)	(6,791)	–	(13,343)
Profit/(loss) before tax	(268)	(24,829)	2,757	(22,340)
Income tax benefit	110	–	–	110
Total profit/(loss) after tax	(158)	(24,829)	2,757	(22,230)
Group's share of associate				
Total investment income	520	(2,635)	406	(1,709)
Total expenses	(543)	(992)	–	(1,535)
Profit/(loss) before tax	(23)	(3,627)	406	(3,244)
Income tax benefit	8	–	–	8
Total profit/(loss) after tax	(15)	(3,627)	406	(3,236)
Dividend received and dilution of unitholding throughout the year and foreign currency translation impact	(2,390)	4,310	(1,283)	637
Realised and unrealised gain on investment in associate	(2,405)	683	(877)	(2,599)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 2. Equity investments in associates – continued

ACCOUNTING POLICY

Investments in associates are accounted for using the equity method. The share of profit recognised under the equity method is the consolidated entity's share of the investment in associate's profit or loss based on the ownership interest held. Associates are entities in which the consolidated entity, as a result of its voting rights and other factors, has significant influence, but not control or joint control, over its financial and operating policies.

Investments in associates are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the consolidated entity's share of losses exceeds the carrying amount of the equity accounted investment (including assets that form part of the net investment in the associate), the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has obligations in respect of the associate.

Dividends from associates represent a return on the consolidated entity's investment and, as such, are applied as a reduction to the carrying value of the investment. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate to the extent of the consolidated entity's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Other movements in associates' reserves are recognised directly in the consolidated entity's consolidated reserves.

Critical accounting judgements, estimates and assumptions

Assessment of significant influence: At 30 June 2020, the consolidated entity was assessed as having significant influence over Platinum Asia Investments Limited ("PAI"), Platinum World Portfolios Plc ("PWP") and Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX"), as a result of its direct investment and investment management activities and other factors outlined in Note 2a.

We have conducted an impairment assessment of the carrying amount of the investment in associates, including a look-through of each of the underlying assets and liabilities. Our assessment is that at 30 June 2020, no impairment write-down was required for PAI because the carrying amount is equal to the fair value of PAI's underlying net assets. The carrying values of the PWP and PAXX are equal to their fair values.

Note 3. Parent entity information

Set out below is supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	PARENT	
	2020 $'000	2019 $'000
Profit after income tax	**158,096**	169,120
Total comprehensive income	**158,096**	169,120

Statement of financial position

	PARENT	
	2020 $'000	2019 $'000
Total current assets	**126,232**	118,574
Total assets	**756,720**	749,062
Total current liabilities	**(10,431)**	(5,082)
Total liabilities	**(10,431)**	(5,082)
Net assets	**746,289**	743,980
Equity		
Issued capital	**717,998**	723,490
Capital reserve	**26,950**	18,854
Retained profits	**1,341**	1,636
Total equity	**746,289**	743,980

Note 4. Non-controlling interest(s)

The external (non-related parties) non-controlling interest in the Platinum group was $nil at 30 June 2020.

	2020 $'000	2019 $'000
Opening balance	**–**	75,936
Profit after income tax attributable to non-controlling interests – PAXX	**–**	685
Additional external investment into PAXX during the year	**–**	56,199
Decrease in retained earnings on deconsolidation of PAXX	**–**	(1,701)
Decrease in equity on deconsolidation of PAXX	**–**	(131,119)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

PART B – Notes 5 to 22

Operations – Notes that explain the operations of the consolidated entity

Note 5. Non-current assets – financial assets at fair value through profit or loss

	2020 $'000	2019 $'000
Platinum Trust Fund investments	**184**	183
Equity securities held by the Cayman Funds	**27,442**	–
	27,626	183

ACCOUNTING POLICY

Under AASB 9: *Financial Instruments*, the consolidated entity's investments are managed on a fair value basis and the consolidated entity evaluates the information about its investments on a fair value basis together with other related financial information. Consequently, these investments are measured at fair value through profit or loss.

The consolidated entity has applied AASB 13: *Fair Value Measurement* as the basis to value its financial assets at fair value through profit or loss. AASB 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

The standard prescribes that the most representative price within the bid-ask spread should be used for valuation purposes. With respect to the consolidated entity, the last-sale or "last" price is the most representative price within the bid-ask spread, because it represents the price that the unit last changed hands from seller to buyer.

The fair value includes the impact of the 30 June distribution.

Note 6. Current assets – trade and other receivables

	2020 $'000	2019 $'000
Management fees receivable	**23,047**	24,467
Performance fees receivable	**9,042**	5
Interest receivable	**31**	246
Prepayments	**1,914**	1,561
Sundry debtors	**75**	329
Distribution receivable from PAXX and Platinum Trust Funds	**573**	1,314
	34,682	27,922

Management and performance fees receivable(s) are received between three to 30 days after balance date.

Interest receivable comprises accrued interest on term deposits and cash accounts. Interest on term deposits is received on maturity.

ACCOUNTING POLICY

Trade receivables represents amounts receivable for services that have been delivered. These amounts are initially recognised at fair value. An analysis is performed at each balance date to measure any expected credit loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. No adjustment was required for expected credit losses during the year or prior period.

Distributions are recognised when the consolidated entity becomes entitled to the income.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 7. Non-current assets – fixed assets

	2020 $'000	2019 $'000
Computer equipment – at cost*	**1,615**	1,710
Less: Accumulated depreciation*	**(1,181)**	(1,312)
	434	398
Software and applications – at cost*	**3,937**	6,010
Less: Accumulated depreciation*	**(3,325)**	(4,691)
	612	1,319
Communications equipment – at cost	**186**	163
Less: Accumulated depreciation	**(134)**	(131)
	52	32
Office premises fit out – at cost*	**3,492**	3,473
Less: Accumulated depreciation*	**(851)**	(1,761)
	2,641	1,712
Furniture and equipment – at cost*	**505**	756
Less: Accumulated depreciation*	**(237)**	(601)
	268	155
	4,007	3,616

* Movements includes some fully depreciated assets that were written off during the year ended 30 June 2020.

Note 7. Non-current assets – fixed assets – continued

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	COMPUTER EQUIPMENT $'000	SOFTWARE & APPLI-CATIONS $'000	COMMUN-ICATIONS EQUIPMENT $'000	OFFICE PREMISES FIT OUT $'000	FURN-ITURE & EQUIPMENT $'000	TOTAL $'000
Balance at 1 July 2018	326	1,454	26	1,019	161	2,986
Additions	181	235	17	907	27	1,367
Depreciation expense	(109)	(370)	(11)	(214)	(33)	(737)
Balance at 30 June 2019	398	1,319	32	1,712	155	3,616
Additions	216	53	36	1,751	205	2,261
Depreciation expense	(180)	(760)	(16)	(822)	(92)	(1,870)
Balance at 30 June 2020	**434**	**612**	**52**	**2,641**	**268**	**4,007**

At 30 June 2020, there was software and applications in the course of construction and development of $10,800 (2019: $11,984), which is included as part of the software & applications additions and balance at 30 June 2020.

ACCOUNTING POLICY

Fixed assets are stated at historical cost less depreciation. Fixed assets (other than in-house software and applications in the course of construction and development) are depreciated over their estimated useful lives using the diminishing balance method. The expected useful lives are as follows:

Computer equipment	4 years
Software	2½ years
In-house software and applications	4 years
Communications equipment	4 years
Office fit out	3 – 8 years
Office furniture and equipment	5 – 8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The useful lives of communications equipment, office fit out, office furniture and other equipment were adjusted during the year ended 30 June 2020.

A fixed asset is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 8. Current liabilities – trade and other payables

	2020 $'000	2019 $'000
Trade payables	**3,830**	5,995
GST payable	**1,745**	2,113
	5,575	8,108

ACCOUNTING POLICY

Payables represent amounts owing at balance date. Trade payables relate to services provided to the consolidated entity at balance date, which are unpaid. Due to their general short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 14 to 30 days of being invoiced.

Note 9. Current and non-current liabilities – employee benefits

	2020 $'000	2019 $'000
Current liabilities		
Annual leave	**1,826**	1,489
Long service leave	**1,931**	1,708
	3,757	**3,197**
Non-current liabilities		
Long service leave	**628**	612
Provision for payroll tax on Deferred Remuneration Plan	**1,009**	1,560

ACCOUNTING POLICY

Employee benefit liabilities represents accrued wages, salaries, annual and long-service leave entitlements and other incentives (including any provision for estimated staff incentive payments and related on-costs), that are recognised in respect of employee services up to balance date and are measured at the amounts expected to be paid when the liabilities are settled and include related on-costs, such as payroll tax.

Note 10. Earnings per share

	2020 $'000	2019 $'000
Profit after income tax attributable to the owners of Platinum Asset Management Limited	**155,611**	157,651
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	**581,507,729**	583,162,543
Adjustment for deferred rights that have vested but not been exercised	**13,929**	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	**581,521,657**	583,162,543
	CENTS	CENTS
Basic earnings per share	**26.76**	27.03
Diluted earnings per share	**26.76**	27.03

ACCOUNTING POLICY

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Platinum Asset Management Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year. Treasury shares are excluded from the weighted average number of ordinary shares used to calculate basic (and diluted) earnings per share.

Diluted earnings per share
Diluted earnings per share adjusts the weighted average number of shares used to determine basic earnings per share to take into account any deferred rights that have vested but not been exercised.

Note 11. Operating segments

The consolidated entity is organised into two main operating segments being:

– Funds management: through the generation of management and performance fees from Australian investment vehicles and mandates, US investment mandates and Platinum World Portfolios Plc. ("PWP") and associated costs including those of the London and Malta offices; and

– Investments and other: through the consolidated entity's investments in the (a) ASX listed, Platinum Asia Investments Limited ("PAI") (b) PWP (c) unlisted Platinum Trust Funds (d) the ASX quoted managed fund PAXX and (e) the Cayman Funds. Also included in this category are Australian dollar term deposits as well as associated interest derived from these.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 11. Operating segments – continued

The segment financial results, segment assets and liabilities are disclosed on the following page(s).

2020	FUNDS MANAGEMENT $'000	INVESTMENTS AND OTHER $'000	TOTAL $'000
Revenue			
Management and performance fees	**284,980**	**–**	**284,980**
Interest	**482**	**1,225**	**1,707**
Distributions and dividends*	**–**	**1,855**	**1,855**
Net gains on financial assets and equity in associates^	**–**	**8,663**	**8,663**
Net foreign exchange gains on overseas bank accounts	**–**	**1,461**	**1,461**
Total revenue and other income	**285,462**	**13,204**	**298,666**
Expenses	**(77,506)**	**(391)**	**(77,897)**
Profit before income tax expense	**207,956**	**12,813**	**220,769**
Income tax expense	**(61,699)**	**(3,459)**	**(65,158)**
Profit after income tax expense	**146,257**	**9,354**	**155,611**
Other comprehensive income	**(10)**	**(1,030)**	**(1,040)**
Total comprehensive income	**146,247**	**8,324**	**154,571**
Assets			
Cash and cash equivalents	**17,922**	**87,411**	**105,333**
Financial assets and equity in associates	**–**	**152,645**	**152,645**
Term deposits	**–**	**49,876**	**49,876**
Fixed assets	**4,007**	**–**	**4,007**
Receivables and other assets	**25,971**	**17,380**	**43,351**
Total assets	**47,900**	**307,312**	**355,212**
Total liabilities	**33,180**	**3,071**	**36,251**
Net assets	**14,720**	**304,241**	**318,961**

Note 11. Operating segments – continued

2019	FUNDS MANAGEMENT $'000	INVESTMENTS AND OTHER $'000	TOTAL $'000
Revenue			
Management and performance fees	295,218	–	295,218
Interest	265	3,277	3,542
Distributions and dividends*	–	3,714	3,714
Net losses on financial assets and equity in associates^	–	(4,702)	(4,702)
Net foreign exchange gains on overseas bank accounts	–	1,548	1,548
Total revenue and other income	295,483	3,837	299,320
Expenses	(75,992)	(429)	(76,421)
Profit before income tax expense	219,491	3,408	222,899
Income tax expense	(64,289)	(274)	(64,563)
Profit after income tax expense	155,202	3,134	158,336
Other comprehensive income	(16)	–	(16)
Total comprehensive income	155,186	3,134	158,320
Assets			
Cash and cash equivalents	8,294	104,653	112,947
Financial assets and equity in associates	–	117,776	117,776
Term deposits	–	81,877	81,877
Receivables and other assets	29,978	1,560	31,538
Total assets	38,272	305,866	344,138
Total liabilities	20,325	2,725	23,050
Net assets	17,947	303,141	321,088

* The amount in the tables above disclosed as "Distributions and dividends" is comprised of:

	2020 $'000	2019 $'000
Dividend received from investment in PAXX	**562**	1,299
Dividend received from investment in PAI	**1,200**	2,400
Dividend received from equity securities held by the Cayman Funds	**82**	–
Distribution received from investment in the Platinum Trust Funds	**11**	15
Distributions and dividends (total as appears in the consolidated statement of profit or loss and other comprehensive income)	**1,855**	3,714

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Note 11. Operating segments – continued

^ The amount in the tables above disclosed as "Net gains/(losses) on financial assets and equity in associates" is comprised of:

	2020 $'000	2019 $'000
Gains/(losses) on financial assets at fair value through profit or loss	**1,237**	(2,103)
Share of profit/(losses) of associates	**7,426**	(2,599)
	8,663	(4,702)

The consolidated entity derived management and performance fees from Australian investment vehicles and mandates, its "absolute" US performance fee mandates and PWP and also derived investment income from its seed investments, as follows:

	2020 $'000	2019 $'000
Revenue and other income breakdown by geographic region		
Australia	**282,240**	291,238
Offshore: United States, Ireland and Cayman Islands	**16,426**	8,082
	298,666	299,320

Note 11. Operating segments – continued

ACCOUNTING POLICY

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM refers to the Board of the Company, who are responsible for the allocation of resources to operating segments and assessing their performance.

Revenue as disclosed in the consolidated statement of profit or loss and other comprehensive income is measured at the fair value of the consideration received or receivable and is recognised if it meets the criteria below:

– *Management fees:* recognised based on the applicable investment management agreements and recognised as services are rendered. The majority of management fees were derived from the Platinum Trust Funds C Class. The management fee for this Class was calculated at 1.35% per annum of each Fund's daily Net Asset Value.

– *Performance fees:* recognised as income at the end of the relevant period to which the performance fee relates, when the consolidated entity's entitlement to the fee becomes certain.

– *Interest income:* recognised in the consolidated statement of profit or loss and other comprehensive income and is based on the effective interest method.

– *Distributions*: recognised when the consolidated entity becomes entitled to the income.

– *Dividend Income:* brought to account on the applicable ex-dividend date.

– *Net gains/(losses) on financial assets at fair value through profit and loss:* relates to net gains/(losses) on seeded and other investments, and recognised as and when the fair value of these investments changes and if disposed, the proceeds less costs on sale of investments.

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Note 12. Taxation

(a) Income tax expense

The income tax expense attributable to profit comprises:

	2020 $'000	2019 $'000
Current tax payable	**63,682**	65,985
Deferred tax – recognition of temporary differences	**1,137**	(1,723)
Deferred tax – credited to share-based payments reserve	**339**	301
Income tax expense	**65,158**	64,563
Numerical reconciliation of income tax expense:		
Profit before income tax expense	**220,769**	222,899
Tax at the statutory tax rate of 30%	**66,231**	66,870
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax rate differential on offshore business income	**(488)**	(557)
Non-taxable losses/(gains) on investments	**(1,476)**	(1,010)
Share-based payments	**334**	–
Other non-deductible expenses	**942**	8
Franking credits received	**(385)**	(748)
Income tax expense	**65,158**	64,563

(b) Non-current liabilities – net deferred tax liabilities

	2020 $'000	2019 $'000
Deferred tax liabilities comprise temporary differences attributable to:		
Unrealised foreign exchange gains on cash	**243**	851
Deferred Remuneration Plan	**4,747**	4,082
Employee provisions	**(1,618)**	(1,143)
Unrealised gains on investments	**2,877**	1,874
Capital expenditure on fixed assets not immediately deductible	**(184)**	(829)
Expense accruals	**(437)**	(344)
Net deferred tax liabilities	**5,628**	4,491

Note 12. Taxation – continued

(b) Non-current liabilities – net deferred tax liabilities – continued

The net deferred tax liability figure is comprised of $2,239,000 (2019: $2,316,000) of deferred tax assets and $7,867,000 (2019: $6,807,000) of deferred tax liabilities.

The deferred tax assets that will be recovered or settled within 12 months are estimated to be $2,055,000 at 30 June 2020 (2019: $1,487,000).

ACCOUNTING POLICY

Current tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax
Deferred tax is accounted for in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the asset can be utilised.

Tax consolidation
The Company and its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian tax legislation. The Company is the head entity of the tax-consolidated group.

Offshore Banking Unit ("OBU") Legislation
In June 2010, the Australian Taxation Office declared that the consolidated group is an Offshore Banking Unit (OBU) under Australian Taxation Law. This allows the consolidated group to apply a concessional tax rate of 10% to net income it derives from its offshore mandates. The concession was applied from 1 July 2010.

Critical accounting judgements, estimates and assumptions
Recovery of deferred tax assets: Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTES TO THE FINANCIAL STATEMENTS

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Note 13. Reconciliation of profit after income tax to net cash from operating activities

	2020 $'000	2019 $'000
Profit after income tax expense for the year	**155,611**	158,336
Adjustments for:		
Depreciation of fixed assets	**1,870**	737
Cash outlay on shares and transaction costs associated with the Deferred Remuneration Plan	**(8,481)**	(7,470)
Share-based payments accounting expense (see Note 20)	**6,803**	4,858
Foreign exchange differences	**(1,461)**	(1,548)
Depreciation of right-of-use asset	**1,926**	–
Interest income	**(1,707)**	(3,542)
(Gain)/loss on investments	**(8,664)**	4,702
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(7,617)**	4,667
(Increase) in sundry debtors	**254**	(293)
Increase/(decrease) in income tax payable	**5,743**	5,082
(Increase)/decrease in prepayments	**(353)**	132
Increase in trade creditors and GST	**(2,397)**	1,409
(Increase)/decrease in deferred tax assets	**77**	(166)
(Decrease)/increase in deferred tax liabilities	**1,060**	(1,544)
Increase in employee provisions and payroll tax	**25**	975
Net cash from operating activities	**142,689**	166,335

ACCOUNTING POLICY

In accordance with AASB 107: *Statement of Cash Flows*, cash includes deposits at call and cash at bank that are used to meet short-term cash requirements. Cash equivalents include short-term deposits of three months or less from the date of acquisition that are readily convertible into cash. Cash and cash equivalents at the end of the financial year, as shown in the consolidated statement of cash flows, are equal to the related item in the consolidated statement of financial position.

Under AASB 107, term deposits that have maturities of more than three months from the date of acquisition are not included as part of "cash and cash equivalents" and have been disclosed separately in the consolidated statement of financial position. All term deposits are held with licensed Australian banks.

Payments and receipts relating to the purchase and sale of term deposits are classified as "cash flows from investing activities".

Receipts from operating activities include management and performance fees receipts. Payments for operating activities include payments to suppliers and employees.

Note 14. Equity – Issued capital

	2020 SHARES	2019 SHARES	2020 $'000	2019 $'000
Ordinary shares – fully paid[a]	**586,678,900**	586,678,900	**751,355**	751,355
Treasury shares[b]	**(6,687,403)**	(5,095,797)	**(33,357)**	(27,865)
Total issued capital	**579,991,497**	581,583,103	**717,998**	723,490

(a) *Ordinary shares*: entitles shareholders to participate in dividends as declared and in the event of winding up of the Company, to participate in the proceeds in proportion to the number of and amounts paid on the ordinary shares held. Ordinary shares entitle the shareholder to one vote per share, either in person or by proxy, at a meeting of the Company's shareholders. All ordinary shares issued have no par value. On 13 September 2016, the Company announced an on-market share buy-back program, in which shares will be bought-back if the Company's shares trade at a significant discount to its underlying value. No shares have been bought-back.

(b) *Treasury shares*: are shares that have been purchased by the Employee Share Trust, pursuant to the Deferred Remuneration Plan (Refer to Note 20). Treasury shares are held by the Employee Share Trust for future allocation to employees. Details of the balance of treasury shares at the end of the financial year were given below:

	2020 SHARES	2019 SHARES	2020 $'000	2019 $'000
Opening balance	**5,095,797**	3,471,866	**27,865**	20,110
Additional shares held by the Employee Share Trust	**1,879,335**	1,623,931	**7,105**	7,755
Shares transferred to employees	**(287,729)**	–	**(1,613)**	–
Balance at the end of the financial year	**6,687,403**	5,095,797	**33,357**	27,865

ACCOUNTING POLICY

Ordinary shares
Ordinary shares are recognised as the amount paid per ordinary share, net of directly attributable issue costs.

Treasury shares
Where the consolidated entity purchases shares in the Company, the consideration paid is deducted from total Shareholders' equity and the shares are treated as treasury shares. Treasury shares are recorded at cost and when restrictions on employee shares are lifted which is dependent on vesting and exercise of the rights, the cost of such shares will be adjusted to the share-based payments reserve.

NOTES TO THE FINANCIAL STATEMENTS

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Note 15. Equity – reserves

	2020 $'000	2019 $'000
Foreign currency translation reserve	**(935)**	105
Capital reserve	**(588,144)**	(588,144)
Share-based payments reserve	**16,997**	11,176
	(572,082)	(576,863)

Foreign currency translation reserve
Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated as a separate reserve within equity. The balance of the foreign currency translation reserve was ($935,000) at 30 June 2020 (30 June 2019: $105,000). The movement in the current year relates primarily to translating the net assets of Platinum UK Asset Management Limited and the Cayman Funds.

Capital reserve
In 2007, in preparation for listing, a restructure was undertaken in which the Company sold or transferred all of its assets, other than its beneficial interest in shares in Platinum Asset Pty Limited and sufficient cash to meet its year to date income tax liability.

The Company then split its issued share capital of 100 shares into 435,181,783 ordinary shares. It then took its beneficial interests in Platinum Investment Management Limited to 100%, through scrip for scrip offers, in consideration for the issue of 125,818,217 ordinary shares in the Company.

As a result of the share split and takeover offers, the Company had 561,000,000 ordinary shares on issue and beneficially held 100% of the issued share capital of Platinum Investment Management Limited. Subsequently, 140,250,000 shares on issue representing 25% of the issued shares of the Company were sold to the public by existing shareholders.

The amount of $588,144,000 was established on listing as a result of the difference between the consideration paid for the purchase of non-controlling interests and the share of net assets acquired in the minority interests.

Share-based payments reserve
In June 2016, the consolidated entity established the Deferred Remuneration Plan. The amount in the share-based payments reserve is comprised of the amortisation of the rights granted and any associated future tax deduction.

Please refer to Note 20 for further information.

Note 15. Equity – reserves – continued

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	SHARE-BASED PAYMENTS $'000	FOREIGN CURRENCY $'000	CAPITAL $'000	TOTAL $'000
Balance at 30 June 2018	6,017	121	(588,144)	(582,006)
Exchange rate translation impact of foreign subsidiaries	–	(16)	–	(16)
Movement in share-based payments reserve	5,159	–	–	5,159
Balance at 30 June 2019	11,176	105	(588,144)	(576,863)
Exchange rate translation impact of foreign subsidiaries	–	(1,040)	–	(1,040)
Movement in share-based payments reserve	5,821	–	–	5,821
Balance at 30 June 2020	**16,997**	**(935)**	**(588,144)**	**(572,082)**

Note 16. Equity – retained profits

	2020 $'000	2019 $'000
Retained profits at the beginning of the financial year	**174,461**	185,940
Profit after income tax expense attributable to owners of the Company	**155,611**	157,651
Dividends paid (Note 17)	**(157,027)**	(169,130)
Retained profits at the end of the financial year	**173,045**	174,461

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Note 17. Equity – dividends

Dividends paid

Dividends paid during the financial year were as follows:

	2020 $'000	2019 $'000
Final dividend paid for the 2019 financial year (14 cents per share)	**81,421**	–
Interim dividend paid for the 2020 financial year (13 cents per share)	**75,606**	–
Final dividend paid for the 2018 financial year (16 cents per share)	**–**	93,313
Interim dividend paid for the 2019 financial year (13 cents per share)	**–**	75,817
	157,027	169,130

Dividends not recognised at year-end

Since 30 June 2020, the Directors declared to pay a 2020 final fully-franked dividend of 11 cents per share, payable out of profits for the 12 months to 30 June 2020. The dividend has not been provided for at 30 June 2020, because the dividend was declared after year-end.

Franking credits

	2020 $'000	2019 $'000
Franking credits available at reporting date based on a tax rate of 30%	**54,583**	64,017
Franking credits/(debits) that will arise from the payment/(refund) of the provision for income tax at the reporting date based on a tax rate of 30%	**10,431**	5,082
Franking credits available for subsequent financial years based on a tax rate of 30%	**65,014**	69,099

ACCOUNTING POLICY

A provision is made for the amount of any dividend declared by the Directors before or at the end of the financial year but not distributed at balance date.

Note 18. Financial risk management

Financial risk management objectives

The Company's and consolidated entity's activities expose it to both direct and indirect financial risk, including: market risk, credit risk and liquidity risk. Material direct exposure to financial risk occurs through the impact on profit of movements in funds under management ("FUM") and through its direct investments in:

- Platinum Asia Investments Limited ("PAI");
- The offshore Irish domiciled, Platinum World Portfolios Plc ("PWP");
- Its investments in Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX"); and
- The offshore Cayman Island domiciled funds Platinum Global Opportunities Fund Ltd and Platinum Asia Ex-Japan Opportunities Fund Ltd (the "Cayman Funds").

Indirect exposure occurs because PIML is the Investment Manager for various investment vehicles, including:

- Investment mandates;
- Various unit trusts, namely the Platinum Trust Funds, Platinum Global Fund, PIXX and PAXX;
- Its ASX-listed investment companies, Platinum Capital Limited and PAI; and
- PWP.

The consolidated entity does not derive any management fees or performance fees directly from PIXX and PAXX. Management and performance fees are borne at the Platinum International Fund/Platinum Asia Fund level and are paid directly by these funds to the consolidated entity.

This note mainly discusses the direct exposure to risk of the consolidated entity. The consolidated entity's risk management procedures focus on managing the potential adverse effects on financial performance caused by volatility of financial markets.

NOTES TO THE FINANCIAL STATEMENTS

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Note 18. Financial risk management – continued

Market risk

The key direct risks associated with the consolidated entity are those driven by investment and market volatility and the resulting impact on FUM or a reduction in the growth of FUM. Reduced FUM will directly impact on management fee income and profit because management fee income is calculated as a percentage of FUM. FUM can be directly impacted by a range of factors including:

(i) Poor investment performance: absolute negative investment performance will reduce FUM and relative under performance to appropriate market benchmarks could reduce the attractiveness of Platinum's investment products to investors, which would impact on the growth of the business. Poor investment performance could also trigger redemptions from Platinum's investment products and the termination of investment mandate arrangements;

(ii) Market volatility: Platinum invests in global markets. It follows that a decline in overseas stock markets, adverse exchange rates and/or interest rate movements will all impact on FUM;

(iii) A reduction in the ability to retain and attract investors: that could be caused by a decline in investment performance, but also a range of other factors, such as the high level of competition in the funds management industry;

(iv) A loss of key personnel; and

(v) Investor allocation decisions: investors constantly re-assess and re-allocate their investments on the basis of their own preferences. Investor allocation decisions could operate independently from investment performance, such that funds outflows occur despite positive investment performance.

A decline in investment performance will also directly impact on performance fees earned by the consolidated entity. Historically, the amount of performance fees earned by the consolidated entity has fluctuated significantly from year to year and has been a material source of fee revenue.

For those funds or investment mandates that pay a performance fee, the fee is calculated either semi-annually or annually and is based on an absolute or relative outperformance.

Performance fees may be earned by the consolidated entity, if the investment return of a Platinum Trust Fund, Platinum Capital Limited, Platinum Asia Investments Limited, Platinum World Portfolios or any other applicable investment mandate exceeds their hurdle rates. Should the actual performance of one or more of these entities be higher than the applicable hurdle rate, a performance fee would be receivable. As at 30 June 2020, performance fees of $9,042,000 (2019: $4,842) were receivable.

Note 18. Financial risk management – continued

If global equity markets fell 10% over the course of the year and consequently the consolidated entity's FUM fell in line with global equity markets, it follows that management fees would fall by 10%. If there was a 10% decrease in the performance of investment funds or mandates over the course of the year that resulted in negative absolute performance for the year, then no performance fee would be earned.

The above analysis assumes a uniform 10% fall across all global equity markets. This is extremely unlikely as there is a large degree of variation and volatility across markets. For example, it is quite feasible for the Chinese market to fall whilst other Asian markets go up.

To mitigate the impact of adverse investment performance on FUM, PIML may employ strategies to manage the impact of adverse market and exchange rate movements on the funds it manages. Market risk may be managed through derivative contracts, including futures, options and swaps. Currency risk may be managed through the use of forward currency contracts.

The section below mainly discusses the direct impact of foreign currency risk, price risk and interest rate risk on the consolidated entity's financial instruments held at 30 June 2020.

Foreign currency risk

The consolidated entity is exposed to foreign currency risk, because:

– It holds foreign currency cash, as well as securities which are denominated in foreign currencies, either directly or through its direct investments;

– It derives US Dollar management and performance fees from its US Dollar investment mandates; and

– It invests in Platinum World Portfolios Plc, Platinum Asia Investments Limited and PAXX.

US Dollar cash

At 30 June 2020, the consolidated entity held US$10,174,151 (equivalent to A$14,740,874) in cash (2019: US$24,204,470 (equivalent to A$34,481,758)). If the Australian Dollar had been 10% higher/lower against the US Dollar than the prevailing exchange rate used to convert the balance with all other variables held constant, net profit before tax would have been A$1,339,726 lower/A$1,637,347 higher (2019: A$3,132,878 lower/A$3,828,578 higher).

US Dollar fees

If the Australian Dollar had been 10% higher/lower against the US Dollar than the prevailing exchange rate used to convert the US mandate and PWP fees, with all other variables held constant, then net profit before tax would have been A$759,713 lower/A$928,511 higher (2019: A$542,546 lower/A$749,602 higher).

Investment in PWP

PIML's investment in PWP is denominated in US Dollars. If the Australian Dollar had been 10% higher/lower against the prevailing exchange rate at 30 June 2020, then the consolidated entity's net assets would have been A$5.8m lower/A$7.1m higher (2019: A$5.6m lower/A$6.8m higher) (exchange rate translation effect).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 18. Financial risk management – continued

Foreign currency risk – continued

Investment in PWP – continued

PWP's investments are denominated in various foreign currencies specific to the investments held in each of the portfolios. The foreign currency with the largest impact on profit before tax, if there was a 10% currency movement at 30 June 2020, was the Japanese Yen (2019: Japanese Yen). A 10% increase/decrease in the Australian Dollar would have caused net profit before tax to be A$1,527,009 lower/A$1,842,558 higher, based on PIML's interest in PWP at 30 June 2020 (2019: A$2,081,556 lower/A$2,544,124 higher).

Investment in PAI

Platinum Asia Investments Limited's investments are also denominated in foreign currencies. The foreign currency with the largest impact on profit before tax, if there was a 10% currency movement at 30 June 2020, was the HK Dollar (2019: US Dollar), which was the currency with the largest exposure in this entity at 30 June 2020. A 10% increase/decrease in the Australian Dollar would have caused the consolidated entity's net profit before tax to be A$1,074,700 lower/A$1,313,500 higher (2019: A$1,535,900 lower/A$1,877,211 higher).

Investment in PAXX

PAXX is a feeder fund that invests in Platinum Asia Fund ("PAF"), which invests in undervalued companies across the Asian region-ex Japan. The foreign currency with the largest impact on profit before tax, if there was a 10% currency movement at 30 June 2020, was the US Dollar (2019: US Dollar), which was the currency with the largest exposure in PAXX at 30 June 2020. A 10% increase/decrease in the Australian Dollar would have caused the Company's net profit before tax to be A$2,262,500 lower/A$2,765,281 higher (2019: A$980,579 lower/ A$1,198,486 higher).

Investment in Cayman Funds

PIML's investments in the Cayman Funds are denominated in US Dollars. If the Australian Dollar had been 10% higher/lower against the prevailing exchange rate at 30 June 2020, then the consolidated entity's net assets would have been A$2.8m lower/A$3.4m higher (2019: Nil) (exchange rate translation effect).

Note 18. Financial risk management – continued

Price risk

At 30 June 2020, the consolidated entity is exposed to indirect price risk through its equity-accounted investments in Platinum Asia Investments Limited, Platinum World Portfolios Plc, PAXX and the Cayman Funds. The impact of price risk is summarised in the table below:

	IMPACT ON NET PROFIT BEFORE TAX OF 10% INCREASE/(DECREASE) IN 30 JUNE NET ASSET VALUES	
ENTITY	**2020 $'000 INCREASE/(DECREASE)**	2019 $'000 INCREASE/(DECREASE)
PAI	3,030/(3,030)	3,257/(3,257)
PWP	6,632/(6,632)	6,163/(6,163)
PAXX	2,620/(2,620)	2,339/(2,339)
Cayman Funds	3,030/(3,030)	–

Interest rate risk

At 30 June 2020, cash and term deposits are the only significant assets with potential exposure to interest rate risk held by the consolidated entity. A movement of +/-1% in Australian interest rates occurring throughout the year ended 30 June 2020 would cause the consolidated entity's net profit before tax to be $1,053,334 higher/lower (2019: $763,999 higher/lower), based on the impact on its interest-bearing cash balances. An interest rate movement at 30 June 2020 will not impact the profit earned from term deposits, as term deposit interest rates are determined on execution.

Credit risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation resulting in a loss to the consolidated entity (typically "non-equity" financial instruments). Credit risk arises from the financial assets of the consolidated entity that include: cash and term deposits and trade and other receivables.

The maximum exposure to direct credit risk at balance date is the carrying amount recognised in the consolidated statement of financial position. No assets are past due or impaired.

Any default in the value of a financial instrument held within any of the entities for which PIML is the investment manager, will result in reduced investment performance. There is no direct loss for the consolidated entity other than through the ensuing reduction in FUM, as noted above in the section on "market risk".

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 18. Financial risk management – continued

Credit risk – continued

The credit quality of cash and term deposits held by each entity in the consolidated entity, by counterparty, can be assessed by reference to the counterparty's external credit ratings. All term deposits are held with Australian banks that have an AA- (2019: AA-) credit rating. At 30 June 2020 and 30 June 2019, the relevant credit ratings were as follows:

	2020 $'000	2019 $'000
Rating		
AA-	**154,546**	194,070
A	**663**	754
	155,209	194,824

Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with its liabilities. The consolidated entity manages liquidity risk by maintaining sufficient cash reserves to cover its liabilities and receiving management fees to meet operating expenses on a regular basis. Management monitors its cash position on a daily basis and prepares forecasts on a weekly basis.

Remaining contractual maturities

The following table details the consolidated entity's remaining contractual maturity for its liabilities. The table has been drawn up based on the undiscounted cash flows of liabilities based on the earliest date on which the liabilities are required to be paid.

2020	**AT CALL $'000**	**WITHIN 30 DAYS $'000**	**BETWEEN 1 AND 3 MONTHS $'000**	**OVER 3 MONTHS $'000**	**TOTAL $'000**
Trade payables	–	3,830	–	–	3,830
GST payable	–	1,745	–	–	1,745
Current tax payable	–	–	–	10,825	10,825
Employee-related provisions	3,757	–	–	1,637	5,394
Lease liabilities	–	159	477	8,704	9,340
Total	**3,757**	**5,715**	**282**	**21,166**	**30,623**

Note 18. Financial risk management – continued

Liquidity risk – continued

Remaining contractual maturities *– continued*

2019	AT CALL $'000	WITHIN 30 DAYS $'000	BETWEEN 1 AND 3 MONTHS $'000	OVER 3 MONTHS $'000	TOTAL $'000
Trade payables	–	5,995	–	–	5,995
GST payable	–	2,113	–	–	2,113
Current tax payable	–	–	–	5,082	5,082
Employee-related provisions	3,197	–	–	2,172	5,369
Lease liabilities	–	–	–	–	–
Total	3,197	8,108	–	7,254	18,559

Financial liabilities at fair value through profit or loss

The consolidated entity had no financial liabilities at fair value through profit or loss at 30 June 2020 or 30 June 2019.

The consolidated entity does not have a significant direct exposure to liquidity risk.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflects their fair value.

Capital risk management

(i) Capital requirements

The Company has limited capital requirements and generally expects that most, if not all, future profits will continue to be distributed by way of dividends, subject to ongoing capital requirements.

(ii) External requirements

PIML is required to hold an Australian Financial Services Licence ("AFSL") issued by the Australian Securities and Investments Commission ("ASIC"). The AFSL authorises PIML to provide deal in certain financial products, provide general financial product advice in respect of certain financial products and to operate registered managed investment schemes.

PIML has complied with all financial conditions of its AFSL during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 19. Fair value measurement

Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the consolidated entity to classify those assets measured at fair value using the following fair value hierarchy model:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) (level 2); and

(iii) Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2020, the investments by PIML in PAXX, PAI and PWP have not been measured at fair value because they have been classified as equity investments in associates. If these were to be measured at fair value, they would be classified as level 2.

The following table analyses within the fair value hierarchy model, the consolidated entity's assets and liabilities, measured or disclosed at fair value, using the three level hierarchy model at 30 June 2020 and 30 June 2019. The consolidated entity has no assets or liabilities that are classified as level 3.

2020	**LEVEL 1 $'000**	**LEVEL 2 $'000**	**TOTAL $'000**
Assets			
Equity securities held by the Cayman Funds	**27,442**	**–**	**27,442**
Platinum Trust Fund investments	**–**	**184**	**184**
	27,442	**184**	**27,626**

2019	LEVEL 1 $'000	LEVEL 2 $'000	TOTAL $'000
Assets			
Platinum Trust Fund investments	–	183	183
	–	183	183

Valuation techniques used to classify assets and liabilities as level 2

PIML's direct investments in the Platinum Trust Funds are valued using their respective Net Asset Values (adjusted for the buy-sell spread) and include the impact of the 30 June distribution. Accordingly, management has assessed the fair value investments as being Level 2 investments.

Note 20. Share-based payments

Deferred Remuneration Plan *(applies to all staff)*

In June 2016, a "Deferred Bonus Plan" (now known as a "Deferred Remuneration Plan") was approved by the Nomination & Remuneration Committee of the Company. The main objective of the Deferred Remuneration Plan is to recognise the contributions made by key employees and to retain their skills within the firm.

PLAN	DESCRIPTION	VESTING CONDITION
Deferred Remuneration Plan	Upon vesting and exercise of the deferred rights, employees will receive ordinary shares in the Company. The deferred rights also carry an entitlement to a dividend equivalent payment. Upon the valid exercise of a deferred right, or deemed exercise, of a deferred right, an eligible employee will be entitled to receive an amount approximately equal to the amount of dividends that would have been paid to the eligible employee had they held the share from the grant date to the date that the deferred rights are exercised.	Continuous employment for a period of 4 years from the grant date.

The number of rights granted and the accounting expense for the current and comparative year is shown below. The trust will generally purchase an equivalent number of PTM shares on market and will hold these shares until the vesting date (four years from each grant) and subsequent exercise.

	NUMBER OF DEFERRED RIGHTS	
	2020 $'000	2019 $'000
Opening balance	**5,095,797**	3,471,866
Granted during the year	**2,341,845**	1,623,931
Forfeited during the year due to not meeting continuous employment vesting condition	**(34,233)**	–
Vested, exercised and then transferred to eligible employees	**(287,729)**	–
Closing balance	**7,115,680**	5,095,797

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 20. Share-based payments – continued

Deferred Remuneration Plan *(applies to all staff)* – continued

ACCOUNTING EXPENSE	**2020 $'000**	2019 $'000
Deferred rights granted in 2020	**1,520**	–
Deferred rights granted in 2019	**1,267**	1,300
Deferred rights granted in 2018	**2,131**	2,144
Deferred rights granted in 2017	**831**	797
Deferred rights granted in 2016	**1,054**	617
Total share-based payments expense	**6,803**	4,858
Associated payroll tax expense	**371**	416
Total	**7,174**	5,274

ACCOUNTING POLICY

AASB 2: *Share-based Payments* requires an organisation to recognise an expense for equity provided for services rendered by employees. The amount that is recognised as an expense for share-based payments is derived from the fair value of the equity instruments granted. Deferred incentives to be settled in the Company's shares are considered to be a share-based payments award.

The fair value of the equity instruments granted and measured at grant date is recognised over the term of the service period. The accounting expense will commence when there is a "shared understanding" of the terms and conditions of the offer. The service period may commence prior to grant date. In this case, the expense is estimated and trued-up at grant date.

The fair value of the rights granted is recognised in the consolidated financial statements as an expense with a corresponding entry to reserves. The fair value is measured at grant date and amortised on a straight-line basis over the vesting period that an employee becomes unconditionally entitled to the share. In measuring the fair value, an allowance has been made for the risk or probability of forfeiture, which measures the risk of selected eligible employees leaving Platinum and forfeiting their rights.

At each balance date, the Company reviews the number of deferred rights granted. Adjustments are made to the share-based payments expense, if the number of deferred rights granted has changed (e.g. through forfeitures). The impact of any revision to the original estimate will be recognised in the consolidated statement of profit or loss and other comprehensive income with the corresponding entry to reserves.

The purchase of shares on-market by the Company through an Employee Share Trust for future allocation to key employees is shown in the consolidated statement of financial position as a debit entry to the "treasury shares" account with the corresponding credit entry to "cash".

Note 21. Key management personnel disclosures

	2020 $'000	2019 $'000
The aggregate remuneration that the consolidated entity provided Executive and Non-Executive Directors was as follows:		
Cash salary, Directors' fees and short-term incentive cash awards	**3,745**	3,932
Accounting expense related to the KMP allocation under the Deferred Remuneration Plan^	**613**	468
Superannuation	**167**	163
Increase in the consolidated entity's annual and long service leave provision	**27**	–
	4,552	4,563

^ Andrew Clifford, Elizabeth Norman and Andrew Stannard are the only members of KMP who have received an allocation of rights under the Deferred Remuneration Plan. The expense attributable to KMP are based on the allocation of deferred rights in the current and prior years is as follows:

	2020 GRANT (UNVESTED)	2019 GRANT (UNVESTED)	2018 GRANT (UNVESTED)	2017 GRANT (UNVESTED)	2016 GRANT (VESTED)	TOTAL
Number of rights allocated to KMP during the year	**160,859**	108,696	248,346	86,208	48,623	**652,732**
Accounting expense attributed to KMP	**$104,400**	$86,999	$260,998	$69,600	$91,200	**$613,197**

The accounting valuation of $613,197 represents the amount expensed through the income statement in the current year, with respect to grants made in each year between 2016 and 2020.

Interests of Non-Executive and Executive Directors in shares

The relevant interest in ordinary shares in the Company that each Director held at balance date was:

	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE
Michael Cole	240,000	–	–	240,000
Stephen Menzies	40,000	–	–	40,000
Anne Loveridge	22,000	–	–	22,000
Brigitte Smith	41,666	–	–	41,666
Tim Trumper	18,900	–	–	18,900
Andrew Clifford	32,831,449	–	–	32,831,449
Kerr Neilson	252,074,841	–	–	252,074,841
Elizabeth Norman	766,748	–	–	766,748
Andrew Stannard	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 22. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by PricewaterhouseCoopers (the auditor of the Company) and its overseas network firms:

	2020 $	2019 $
Audit services – PricewaterhouseCoopers		
Audit and review of the financial statements and AFSL audit	**121,125**	96,542
Audit services for managed funds that PIML acts as responsible entity – PricewaterhouseCoopers		
Audit and review of the financial statements and compliance plan audit	**237,660**	295,992
Audit services for managed funds that PIML acts as responsible entity – overseas PricewaterhouseCoopers firms		
Audit of financial statements	**58,259**	54,478
Total audit and review of financial statements	**417,044**	447,012
Compliance and assurance services – PricewaterhouseCoopers		
Compliance and assurance services	**108,591**	163,943
Total audit, compliance and assurance services	**525,635**	610,955
Taxation services – PricewaterhouseCoopers		
Compliance services	**205,639**	116,745
Taxation services for managed funds for which PIML acts as responsible entity – PricewaterhouseCoopers		
Fund distribution compliance services	**350,130**	400,130
Other taxation services	**67,408**	155,887
Taxation services – overseas PricewaterhouseCoopers firms		
Foreign tax agent fees	**114,962**	42,597
Total taxation services	**738,139**	715,539
Other services – PricewaterhouseCoopers and its overseas network firms		
Other services	**108,355**	62,926
Total other services	**108,355**	62,926
Total fees paid and payable to the auditor and its related practices	**1,372,129**	1,389,240

PART C – Notes 23 to 29

Miscellaneous Notes – Miscellaneous Notes that are required by the accounting standards

Note 23. Related party transactions

Subsidiaries and associates

Interests in subsidiaries and associates are set out in Note 1 and Note 2.

Key management personnel

Disclosures relating to key management personnel are set out in Note 21 and the Remuneration Report in the Directors' Report.

Tax consolidation and dividend transactions

Platinum Asset Management Limited is the head entity of the Australian consolidated tax group and is also parent entity, and consequently, is the entity that ultimately pays out dividends to shareholders. The amounts paid are disclosed in the consolidated statement of cash flows. Tax payable by the Australian consolidated group and dividends to shareholders are paid using income sourced from the main operating subsidiary, PIML.

Fees received

PIML provides investment management services to:

(i) The Platinum Trust Funds and Platinum Global Fund;

(ii) The Irish domiciled, Platinum World Portfolios Plc;

(iii) Two ASX-listed investment companies ("LICs"), Platinum Capital Limited ("PMC") and Platinum Asia Investments Limited ("PAI");

(iv) Two ASX quoted managed funds, Platinum International Fund (Quoted Managed Hedge Fund) (ASX code: PIXX) and Platinum Asia Fund (Quoted Managed Hedge Fund) (ASX code: PAXX); and

(v) The Cayman Funds.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020

Note 23. Related party transactions – continued

Fees received – continued

PIML is entitled to receive a monthly management fee, either directly or indirectly, from each of these entities and a performance fee based on the relative investment performance of the Platinum Trust Funds, Platinum World Portfolios Plc, Platinum Capital Limited ("PMC") and Platinum Asia Investments Limited ("PAI"). The consolidated entity does not derive any management fees or performance fees directly from PIXX and PAXX. Management and performance fees are borne at the Platinum International Fund/Platinum Asia Fund level and are paid directly by these funds to the consolidated entity. The total related party fees and receivables were as follows:

	2020 $	2019 $
Recognised in the statement of profit or loss and other comprehensive income	**234,373,871**	245,515,816
Receivable in the statement of financial position	**24,910,151**	19,001,623

Investment transactions

During the year, the subsidiary PIML received a final 2019 fully-franked dividend of $600,000 (2019: $1,800,000) and an interim 2020 fully franked dividend of $600,000 (2019: $600,000) from its investment in PAI.

PIML also received the 30 June 2020 distribution of $561,997 (2019: $1,298,813) from PAXX and $10,980 from the Platinum Trust Funds (2019: $15,000).

During the year, PIML invested $30,005,000 into the Cayman Funds.

Other related party transactions

Mr Stephen Menzies is PIML's nominated representative on the Board of PWP. PIML reimburses Stephen Menzies for any incidental travel and accommodation associated with attendance at PWP Board meetings in Ireland. During the year, the amount reimbursed was $11,042 (2019: $17,523).

In the current year, the consolidated entity paid $60,000 (2019: $70,000) to OneVue Services Pty Limited for the provision of services associated with the enhancement of Platinum's website. OneVue is a related party of the Chairman of Platinum Asset Management Limited, Mr Michael Cole.

PIML incurred a fee of $2,530,695 (2019: $1,902,272) for general marketing and distribution services provided by Platinum UK Asset Management Limited. PIML contributed capital of EUR1,200 into Platinum Management Malta Limited, which was incorporated during the year.

Note 23. Related party transactions – continued

Other related party transactions – continued

The Company allocated additional rights to eligible employees under the Deferred Remuneration Plan. In the current year, the amount transferred to the Platinum Employee Share Trust was $8,710,000 (2019: $7,470,000).

Loan Agreements with related parties

There were no formal loan agreements executed with related parties at the current and previous reporting date, but there are intercompany receivables and payables.

Note 24. Disclosure of interests in other entities

Structured entity disclosures (excluding subsidiaries and associates)

Some entities managed by PIML are considered to be structured entities. A structured entity is an entity that is not part of the consolidated entity, despite one or more entities within the consolidated entity purchasing units or shares in the other (structured) entity. The relevant activities of unconsolidated structured entities are directed by the PIML by means of contractual arrangements, such as an investment management agreement.

At 30 June 2020, the consolidated entity held an investment that can be described as a structured entity, via PIML holding investments of less than 1% in each of the Platinum Trust Funds and receiving fees for its role as investment manager.

The following table provides information in relation to this investment:

	2020 $	2019 $
Net Asset Value attributable to all investors		
Platinum Trust Funds	**15,068,146**	17,705,018
Maximum exposure (includes PIML's interest & fees receivable)		
Platinum Trust Funds	**20,046**	18,175

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

There are no guarantees entered into by the parent entity in relation to debts of its subsidiaries, no contingent liabilities and no capital commitments.

ACCOUNTING POLICY

The consolidated entity has applied AASB 12: *Disclosure of Interests in Other Entities*. AASB 12 requires disclosure about the nature of, and risks associated with, the consolidated entity's interest in other entities. An interest in another entity refers to involvement that exposes the entity to variability of returns from the performance of another entity (excluding subsidiaries and associates). The consolidated entity applies the standard to its interest in the Platinum Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 25. Commitments

	2020 $'000	2019 $'000
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities:		
Within one year	**89**	1,838
One to five years	**–**	8,102
Greater than five years	**–**	1,279
	89	11,219

The consolidated entity has no significant commitments for capital expenditure.

ACCOUNTING POLICY

PIML has entered into a lease agreement for the premises it occupies and pays rent on a monthly basis. Until 30 June 2019, payments made under the operating lease were charged to the consolidated statement of profit or loss and other comprehensive income. From 1 July 2019, the accounting policy for this lease is as described in Note 26.

The lease commitments at 30 June 2020 relate to short-term leases for which the lease payments made continue to be charged to the consolidated statement of profit or loss and other comprehensive income.

Note 26. Leases

PIML has entered into a lease agreement for the Sydney premises it occupies and pays rent on a monthly basis.

The consolidated entity has adopted AASB 16: *Leases* from 1 July 2019, but has not restated comparatives for the 30 June 2019 reporting period, as permitted under the specific transitional provisions in the standard.

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	30 JUNE 2019 $'000	AASB 16 ADJUSTMENT ON 1 JULY 2019 $'000	CURRENT YEAR MOVEMENT $'000	**30 JUNE 2020 $'000**
Assets:				
Right-of-use asset	–	10,595	(1,926)	**8,669**
Liabilities:				
Lease liabilities – Current	–	1,615	129	**1,744**
Lease liabilities – Non-current	–	8,829	(1,744)	**7,085**

Note 26. Leases – continued

(b) Amounts recognised in the statement of profit or loss in respect of leases

	30 JUNE 2020 $'000	30 JUNE 2019 $'000
Rent and other occupancy	**463**	1,944
Depreciation of right-of-use asset	**1,926**	–
Finance costs on lease liabilities	**239**	–
	2,628	1,944

ACCOUNTING POLICY UP TO 30 JUNE 2019

In the previous year, lease payments were charged to the consolidated statement of profit and loss and comprehensive income in accordance with the AASB 117: *Leases* requirements for operating leases.

ACCOUNTING POLICY FROM 1 JULY 2019

Assets and liabilities arising from the premises lease are initially measured on a present value basis. Lease liabilities include the net present value of the future lease payments, less any lease incentives receivable.

On adoption of AASB 16, the lease payments used to determine the lease liability were discounted using an estimated incremental borrowing rate of 2.5% at the date of initial application.

The consolidated entity is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the measurement of the lease liability adjusted for any lease payments made before commencement date. Right-of-use assets are depreciated over the lease term on a straight-line basis.

Note 27. Accounting standards and interpretations not yet mandatory or early adopted during the year

There are no other standards that are not yet effective that are expected to have a material impact on the consolidated entity in the current or future reporting periods.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

Note 28. Accounting Standards adopted during the year

Australian Accounting Standards and Interpretations that are of relevance to the consolidated entity but are mandatory and have been adopted for the reporting period ended 30 June 2020, and the consolidated entity's assessment of the impact of these issued or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

(a) AASB 16: *Leases*

The consolidated group has adopted AASB 16: *Leases* from 1 July 2019. Refer to Note 26 for a discussion of the impact of this new standard.

(b) IFRIC 23: Uncertainty over Income Tax Treatments (effective from 1 July 2019)

The IFRS Interpretations Committee (IFRS IC) issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12: *Income taxes* are applied where there is uncertainty over income tax treatments. The consolidated entity has applied this interpretation with respect to determining its deferred and current income tax balances. The adoption of this interpretation did not materially affect the deferred and current income tax balances or any of the disclosures in the financial statements.

There are no other standards that are effective for the first time in the current period that are expected to have a material impact on the consolidated entity in the current or future reporting periods.

Note 29. Events after the reporting period

Apart from the dividend declared in August 2020, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

30 JUNE 2020

In the Directors' opinion:

– The attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

– The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described under Basis of Preparation to the financial statements;

– The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

– There are reasonable grounds to believe that the Company and consolidated entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Michael Cole
Chairman

Andrew Clifford
Director

26 August 2020
Sydney

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Platinum Asset Management Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

PricewaterhouseCoopers, ABN 52 780 433 757

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Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

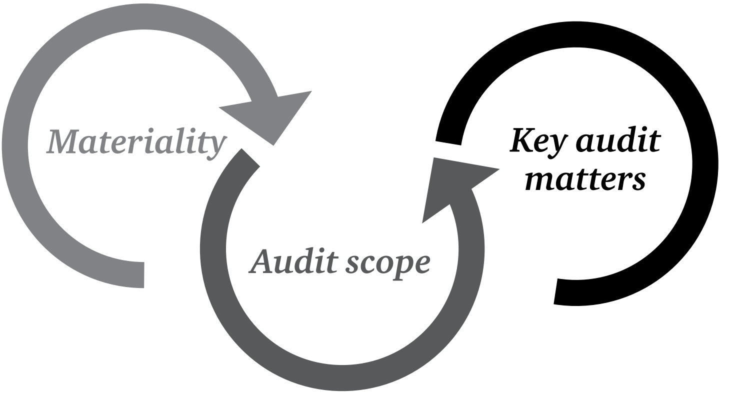
An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Our audit approach takes into account work undertaken by key third party service providers relevant to our audit. This includes the administrator which provides custodian and administration services for the trusts that the Group manages.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED



MATERIALITY	AUDIT SCOPE
– For the purpose of our audit we used overall Group materiality of $11.0 million, which represents approximately 5% of the Group's profit before tax. – We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. – We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. – We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	– Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. – We conducted an audit of the most financially significant components of the Group. This was supplemented by additional risk-focussed audit procedures over corporate functions, such as cash and treasury.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.
We communicated the key audit matters to the Audit, Risk and Compliance Committee.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue – $285m *Refer to note 11 – Operating segments* This was a key audit matter because revenue is the Group's most significant balance in the consolidated statement of profit or loss and other comprehensive income.	In relation to the key controls over recognising fee revenue: – We obtained the most recent report issued by the provider of accounting and administration services setting out the controls in place at the service organisation (including those over the recognition of fee revenue). This report included an assessment of the design and operating effectiveness of those controls. – From this report we developed an understanding of: the control objectives and associated control activities; the tests undertaken by the auditor; the results of these tests and conclusions formed by the auditor; and considered the results of these tests and conclusions formed on the design and operating effectiveness of controls to the extent relevant to our audit of the Group. We also performed the following audit procedures, amongst others: – Assessed whether the revenue accounting policy was consistent with the requirements of Australian Accounting Standards. – Agreed a sample of management and performance fees to relevant supporting evidence, such as investment management agreements, underlying funds under management statements and third-party calculations. – Recalculated a sample of performance and management fees.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for investment vehicles – $125m *Refer to note 2 – Equity investments in associates* This was a key audit matter given the financial significance of the investment vehicles, their share of profit/(loss) to the Group, and the judgement required in determining the appropriate classification of, and accounting for, the Group's investments in accordance with Australian Accounting Standards.	To assess the classification and accounting treatment of the investment in each associate, we performed the following audit procedures, amongst others: – Obtained and reviewed offer documents, Board of Director minutes, constitutions and Investment Management Agreements between the Group and each associate to understand, evaluate and assess the power and decision making authority held by the Group by considering the following factors (amongst others): • Equity ownership • Representation on the Board of directors of the investee • Participation in policy-making processes, including participation in decisions about dividends or other distributions • Material transactions between the entity and the investee • Interchange of management personnel • Provision of essential technical information. – We also performed the following audit procedures, amongst others: • Recalculated the ownership percentage and agreed the key inputs (such as total units on issue and units owned by the Group) to appropriate supporting data • Recalculated the carrying amount by agreeing the key inputs (such as net asset value and share price) to appropriate supporting data • Assessed the disclosures in the financial report in light of our understanding and the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' report, Shareholder information and the Corporate directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf.

This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 28 to 46 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Platinum Asset Management Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

R. B

R Balding
Partner

26 August 2020
Sydney

THE DAM HAS BROKEN

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Article

The Dam Has Broken
By Julian McCormack
Investment Specialist,
Platinum Asset Management

Artwork by

Dan Tague
www.messageinthemoney.com

Nothing
is so permanent
as a temporary
government program.

Milton Friedman

PREFACE

As we heralded in the New Year little did we know what lay ahead. Full of promise, following a long-awaited 'phase one' trade deal between the US and China in December, as well as resolution on the Brexit saga, 2020 looked to be a less troublesome year for investors. The optimism was reflected in equity markets, with the MSCI AC World Index soaring to record highs in February[1].

The arrival of a global health pandemic, however, stopped investors in their tracks. Markets don't like surprises and COVID-19 is as bad as it gets, sending the world into lockdown. We soon grasped the true meaning of 'globalisation', with the disease spreading quickly across the world – bringing the global economy to a standstill virtually 'overnight'.

It was unexpected. So too was the market's response. After the initial shock and sell-off, far from being struck down, markets quickly collected themselves and continued their upward march, to close not far below their February highs by the end of June.

Markets have seemingly ignored the economic reality of collapsing businesses, dissipating earnings and significant job losses. The extraordinary recovery in stock markets amid the most severe economic downturn in modern history is in stark contrast to other periods of economic weakness, such as the global financial crisis (GFC), where even five years later, markets had not recovered to their previous highs.

All is not what it seems though. In reality, it's been a tale of two very different stock markets. The pre-COVID market leaders (i.e. growth stocks) have continued to move from strength to strength, particularly those involved in technology and e-commerce as work and shopping activities increasingly shift online, sending their valuations to exorbitant levels and in some cases to new record highs. Defensive stocks that are benefiting from the pandemic, as we stock up our pantries and buy more hygiene and health-related items, have also rallied hard.

While many of these growth stocks are great companies with promising futures, the current valuations simply can't be justified. At Platinum, we have always maintained that a stock's return is a function of the price you pay – and we believe the price people are paying for some of these stocks right now, make them high-risk investments.

Then we have the 'other' market, where most stocks reside, which has been left behind – performing as expected when faced with such a major economic collapse. While many stocks have bounced from their March lows, they remain well below their pre-COVID highs.

1 Source: FactSet Research Systems.

Record amounts of fiscal and monetary stimulus from governments and central banks have undoubtedly fuelled the rally. The cash has made its way to banks, businesses, households and markets.

As the adage goes though "there is no such thing as a free lunch", and no truer words could be said of the current situation.

Such levels of money creation are inflationary. While it may not be reflected in the prices of goods and services just yet, it is evident in asset prices, notably bonds and selected parts of the equity market. Consumer prices will likely follow in time – as economies recover and demand rebounds.

They could rely forever on central banks – but the implications are almost certainly inflationary. They will need to increase taxes and/or borrow from the public by issuing government bonds. An increased supply of bonds will place downward pressure on bond prices (i.e. long-term yields will rise), which will have implications for equities, particularly those with stretched valuations.

The value of any asset is a function of the future cashflows that it will produce and the appropriate risk-adjusted interest rate. In theory, the lower interest rates are, the higher the value that should be ascribed to an asset for a given set of expected future cashflows. Conversely, the higher interest rates are, the lower the value that should be ascribed.

With 10-year bond yields below 1% and even negative in many countries, and economies floundering, it may be hard to imagine higher interest rates now – but history shows that things can change very quickly.

This pandemic is very much front and centre in our minds currently. However, it's worthwhile stepping back from the events of today and looking to the past.

In our feature article, Julian McCormack, investment specialist at Platinum, argues that the global economy has likely shifted away from an inflation-targeting world with fiscal policy secondary to monetary policy. The emergence of populists in response to anaemic growth and social inequality began the process – history teaches us that populists of all political stripes do not fear spending money.

The massive budget deficits in response to the impact of COVID-19 may prove to be the coup de grâce for the post Reagan-Thatcher period of ever-lower inflation and a belief in the primary efficacy of monetary policy. We may soon have to live with structurally higher inflation amid much higher government deficits.

Andrew Clifford,
Chief Executive Officer & Chief Investment Officer,
Platinum Asset Management
August 2020


THE FUTURE
IS BRIGHT

THE DAM HAS BROKEN

By Julian McCormack

The dogmas of the quiet past, are inadequate to the stormy present... As our case is new, so we must think anew, and act anew. We must disenthrall ourselves...

Abraham Lincoln

Markets are behaving as if inflation is dead, growth is and will remain slow, and investors must hew to bond-like equities plus the few technology companies that can promise a future of growth. All else must be left in the dust.

Perhaps this is true – the motto of a new era. A new paradigm, if you will. However, the global political economy has changed markedly in recent years. Populists have taken power in countries across the globe, fiscal rectitude was eroding in that context… and then COVID-19 struck. The world has changed.

Beware the dogmas of the quiet past.

Most readers will be familiar with the 40-year collapse in interest rates globally, summarised in the chart below using the US 10-year Treasury yield[1].

YIELDS ON US 10-YEAR TREASURY NOTES

SOURCE: FEDERAL RESERVE BANK OF ST. LOUIS.

This has coincided with: atomisation of the workforce; installation of independent central banks, which target inflation levels via interest rates; opening of vast new pools of labour globally; decreasing trade barriers; and an anchoring amid elected officials to the notion that government spending is regulated by bond market vigilantes.

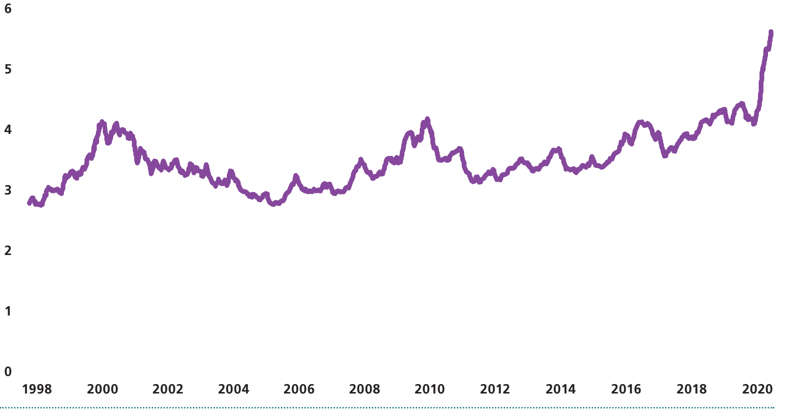
Many of these factors have changed radically, yet markets continue to price ongoing low inflation and market commentary is dominated by the notion that high multiples can be paid for businesses due to low interest rates, especially in a low nominal growth world[2].

This has translated into enormous dispersion in markets – with highly fancied companies reaching new highs of valuation versus those out-of-favour.

The charts below show the dispersion between the highest and lowest price-to-earnings (PE) stocks and price-to-book (PB) stocks around the world. We sort all the stocks in each industry in each country into quintiles based on their PE and PB.

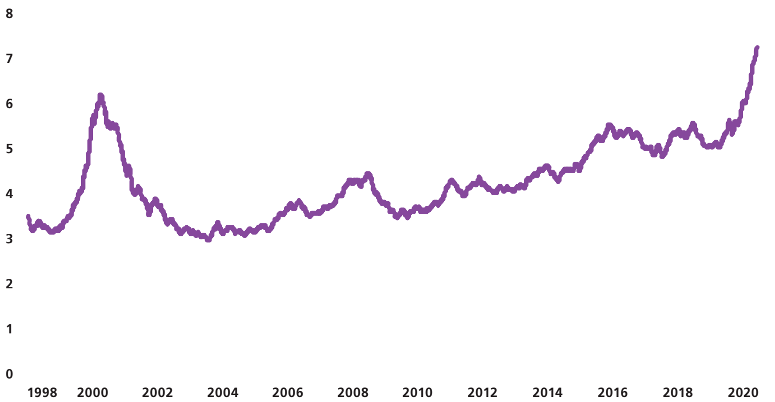
To illustrate, if there are 500 US software stocks and five Australian gold mining stocks, then each quintile will contain 100 US software stocks and one Australian gold mining stock. With thanks to James Bullock, quant analyst at Platinum.

RATIO OF HIGH PE TO LOW PE STOCKS



SOURCE: FACTSET RESEARCH SYSTEMS, PLATINUM INVESTMENT MANAGEMENT LIMITED.

RATIO OF HIGH PB TO LOW PB STOCKS



SOURCE: FACTSET RESEARCH SYSTEMS, PLATINUM INVESTMENT MANAGEMENT LIMITED.

As at all times of extreme valuation, this feels inevitable to many. In truth though, the pre-conditions allowing for the current extremes in markets have been changing for years. The regime of declining rates and tepid fiscal support for economies appears to have ended.

TAKING A STEP BACK

The dollar gold standard of the Bretton Woods period ended in 1971, with the Nixon Shock. Since then we have all navigated a world of currencies tending toward pure fiat or unbacked currency, with no intrinsic worth. However, our institutions and language tend to be anchored in the prior period of notes of exchange backed by, and exchangeable for, gold and/or silver.

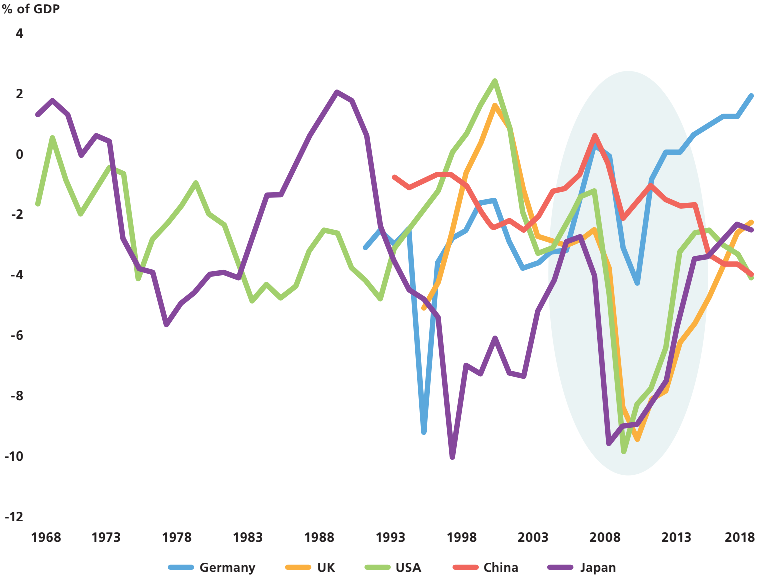
Governments have tended toward attempts, at least superficially, to balance budgets and pay down debt. No more salient example of this is the response of major economies to the recession following the global financial crisis (GFC) of 2008.


JUST CAnt
GET ENOUGH

All major economies saw large increases in budget deficits from 2007-2010. Most major economies then shrank those deficits from 2010 to 2016.

Stated differently, fiscal policy in major economies exercised a drag on gross domestic product (GDP) growth from 2010 onward, rather than adding to it. In the short run, every 1% of GDP by which a government deficit shrinks is a 1% diminution of GDP.

SELECT MAJOR ECONOMY GOVERNMENT SURPLUSES/(DEFICITS)



SOURCE: BLOOMBERG.

Amid the long, but tepid expansion following the GFC, central banks the world over have been suggesting, nay begging, that the governments of their respective countries spend money in order to take up the slack of economies running well below potential for most of the post-GFC period[3]. This is a stark reversal of the purpose of independent central banking, which was to provide an independent counterpoint to spendthrift politicians[4].

Coincident with the slow growth of the post-GFC period, politics in numerous countries was riven by the emergence of potent populist movements, many of which have been elected to power. Populism is nothing new, but more regimes globally can be characterised as populist and more political speech is populist in nature in the wake of the GFC[5]. The focus of attention has been largely on the erosion of institutions and the ugly ethno-nationalist overtones of populists.

We live in a world characterised by stuttering growth in the wake of a GFC, with politics tending toward extremes... sounds familiar. Numerous commentators have drawn parallels with the 1930s, perhaps most notably Ray Dalio[6].

LESSONS ON THE NATURE OF POPULISM FROM THE 1930s

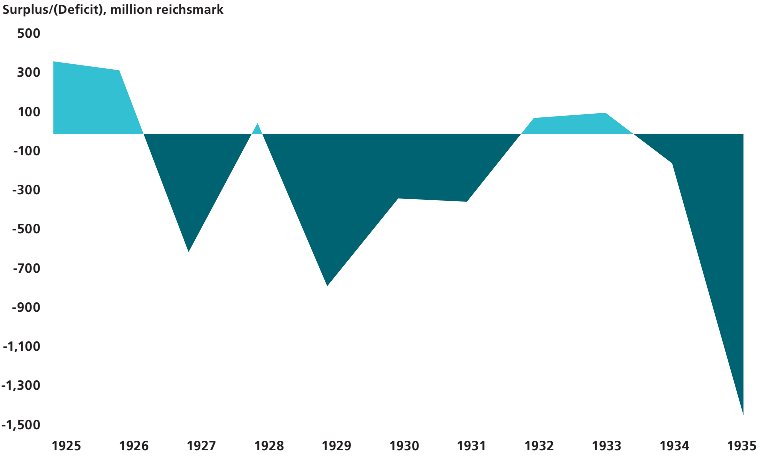
The 1930s saw the aftermath of a global financial crisis, trade wars, geopolitical tension and the emergence of populists on both the Left and the Right… it really does sound familiar. For us, one of the most important lessons of the period appears to have been largely overlooked.

Populists spend money.

Take for example, Germany under Hitler. His regime…

"... suspended the gold standard, embarked on huge public-works programs like autobahns, protected industry from foreign competition, expanded credit, instituted jobs programs, bullied the private sector on prices and production decisions, vastly expanded the military, enforced capital controls, instituted family planning, penalized smoking, brought about national healthcare and unemployment insurance, imposed education standards, and eventually ran huge deficits."[7]

GERMAN GOVERNMENT FISCAL POSITION, 1925-1935

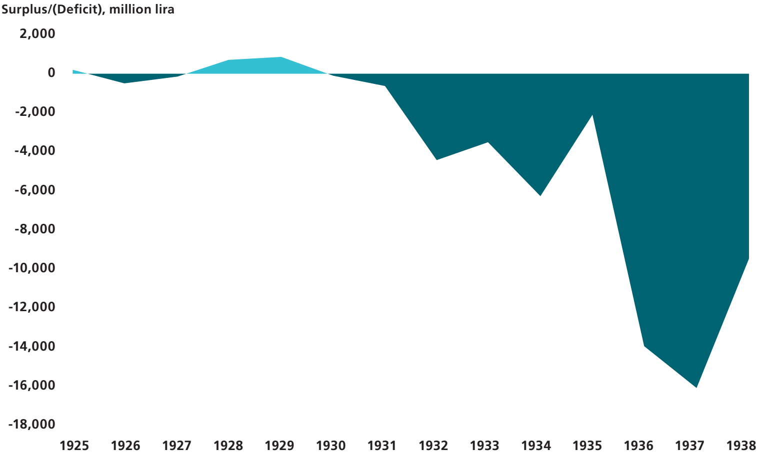


SOURCE: RECONSTRUCTED FROM LEAGUE OF NATIONS ARCHIVES VIA NORTHWESTERN UNIVERSITY, "PUBLIC FINANCE. SUMMARY OF BUDGET ACCOUNTS" SECTION. LATEST REVISIONS USED, LOANS EXCLUDED FROM REVENUE AND REPAYMENTS OF LOANS EXCLUDED FROM EXPENDITURES. NOTE THAT GERMANY CEASED REPORTING PUBLIC FINANCES TO THE LEAGUE OF NATIONS FROM 1935.
HTTPS://WAYBACK.ARCHIVE-IT.ORG/6321/20160901163315/HTTP://DIGITAL.LIBRARY.NORTHWESTERN.EDU/LEAGUE/STAT.HTML

In Mussolini's Italy, similarly, the gold standard was suspended, the lira allowed to depreciate and a wave of public works, social programs and militarisation was undertaken.

For instance, Mussolini spent seven times more on education in the 20 years following 1922 than had been spent in the history of the Italian Republic dating back to 1862… seven times more in a third of the time[8].

ITALIAN GOVERNMENT FISCAL POSITION, 1925-1938



SOURCE: RECONSTRUCTED FROM LEAGUE OF NATIONS ARCHIVES VIA NORTHWESTERN UNIVERSITY, "PUBLIC FINANCE. SUMMARY OF BUDGET ACCOUNTS" SECTION. LATEST REVISIONS USED, LOANS EXCLUDED FROM REVENUE AND REPAYMENTS OF LOANS EXCLUDED FROM EXPENDITURES.
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In pre-war Japan, the Showa banking crisis of 1927 preceded the Great Depression of the West. It was met by a series of hitherto unorthodox measures by Finance Minister and briefly Prime Minister Takahashi Korekiyo, "Japan's Keynes".

These now read like a standard response to an economic crisis. Takahashi:

1) De-pegged the yen from gold and allowed it to depreciate steeply;

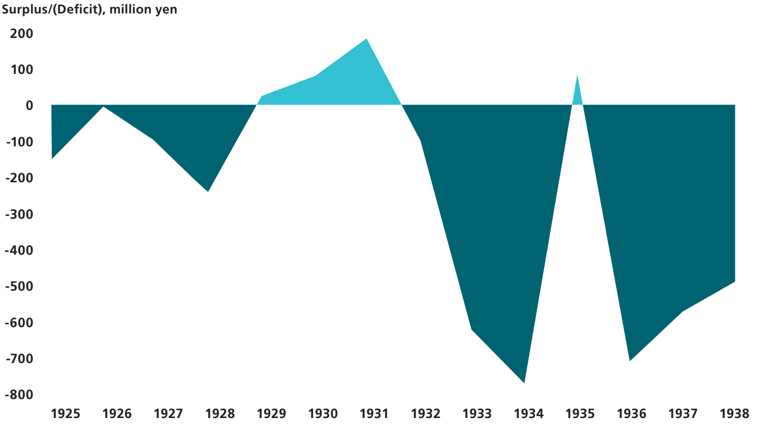
2) Lowered interest rates;

3) Impelled the bank of Japan to buy Japanese government bonds at low rates in order to finance government spending (this is exactly the same as quantitative easing).

The "Takahashi Intervention" appears to have raised Japan out of the Depression by approximately 1933, with the country enjoying strong industrial production growth in the mid- and late-1930s.

For his services, Takahashi was awarded the status of Baron among many other honours. Ultimately, though, he fell afoul of Japan's military by seeking to rein in military spending in Manchuria, and was assassinated in 1936[9].

JAPANESE GOVERNMENT FISCAL POSITION, 1925-1938



SOURCE: RECONSTRUCTED FROM LEAGUE OF NATIONS ARCHIVES VIA NORTHWESTERN UNIVERSITY, "PUBLIC FINANCE. SUMMARY OF BUDGET ACCOUNTS" SECTION. LATEST REVISIONS USED, LOANS EXCLUDED FROM REVENUE AND REPAYMENTS OF LOANS EXCLUDED FROM EXPENDITURES.
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CANT BUY
ME LOVE

Lest we assume that only fascists spent money in response to the Great Depression, let us consider the policies of the great American populist of the Left, Franklin Delano Roosevelt (FDR). He was elected in a landslide in 1932 in response to the tone-deafness and ineptness of the Hoover administration in response to the onset of the Great Depression. He went on to win an unprecedented and never to be matched four elections and died in office in 1945[10].

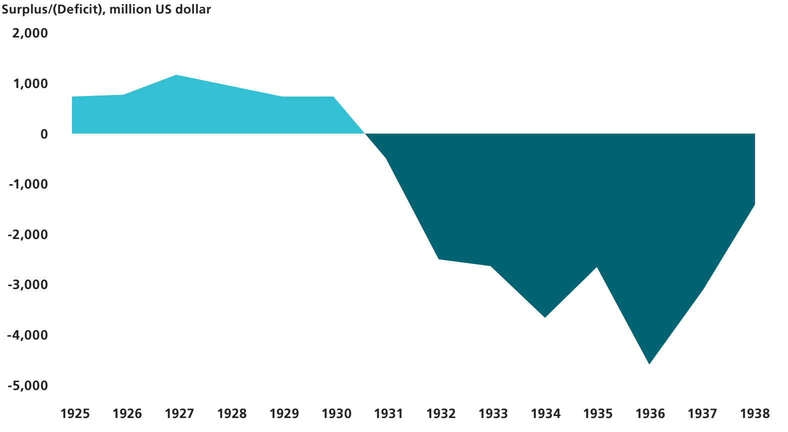
FDR doubled US government debt in his first two terms (before the US entered World War II) from 1933-37 and 1937-41, from US$19 billion to US$42 billion[11]. When he won re-election in 1940 for a record third term, FDR did so in one of the greatest avalanches in US history – he won 38 of 48 states and 449 of 531 electoral college votes: a narrower victory than in 1936, but still a landslide[12].

The lesson is clear – public spending is popular. Remember – the key characteristic of populists is that they spend money.

Perhaps more importantly, the Democratic administration of FDR altered the role of the state in American life forever – it was a genuine institutional revolution. As historian Eric Foner said, the New Deal "made the government an institution directly experienced in Americans' daily lives and directly concerned with their welfare", where it had never been so before[13].

As part of the New Deal, FDR's key collection of policies, a dozen or so bodies were established, such as the National Recovery Administration, the Tennessee Valley Authority, the Securities and Exchange Commission and the Public Works Authority[14].

US GOVERNMENT FISCAL POSITION, 1925-1938



SOURCE: RECONSTRUCTED FROM LEAGUE OF NATIONS ARCHIVES VIA NORTHWESTERN UNIVERSITY, "PUBLIC FINANCE. SUMMARY OF BUDGET ACCOUNTS" SECTION. LATEST REVISIONS USED, LOANS EXCLUDED FROM REVENUE AND REPAYMENTS OF LOANS EXCLUDED FROM EXPENDITURES.
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A KEYNESIAN RESPONSE?

Many readers will identify the deficit spending described above as a 'by-the-book' Keynesian response to a deficiency of aggregate demand… except there was no book. John Maynard Keynes, while many of his ideas had been expressed before and was one of the most famous public intellectuals of his generation, did not publish his most important work, the General Theory, until 1936. This is three years after both Hitler and FDR came to power and 16 years after Mussolini's ascension to rule Italy.

FDR, for example, had very little theoretical understanding of economics, nor much respect for the discipline. He was literally trying things out as he went[15].

As is so often the case, practice led and economic theory followed, seeking to explain or justify that which has already occurred.

ANOTHER REVOLUTION IN ECONOMICS?

A far less famous figure than John Maynard Keynes may have already begun another revolution in economics. Warren Mosler is acknowledged as the father of what is today known as Modern Monetary Theory (MMT). Far from being an ivory tower type, Mosler was a successful macro trader in fixed income markets in the 1990s.

It was his insights into the monetary system that facilitated his career in markets. And it was this understanding that led to him setting out his ideas in two brief, accessible and free-to-download books.

In summary, the key ideas of MMT are:

- There is nothing "debt like" about government debt in its own currency – it can be extinguished instantly and is functionally an offset account to reserves in the banking system – Mosler argues that it might perhaps be better known as the **"Interest Rate Maintenance Account".**
- Taxes are not collected in order to spend the money, as money can be created instantly via issuance or purchase of government bonds (again these are just offset accounts to bank reserves).
- Fiat currency has a value because we have to pay tax in that currency – try not to pay tax in domestic currency and someone will show up at your door with a court order to pay.
- There is no inter-generational burden of government debt in a government's own currency – *remember* – it can be extinguished instantly.
- The limiting factor on government bond issuance (or straight out money creation) is currency weakness and inflation – NOT insolvency.
- Taxation is also useful in order to slow an economy down, in the event that it reaches capacity and inflation begins to rise[16].

While the policy prescriptions of MMT may be controversial, its description of a modern, fiat currency system is not. In our view, it is insightful and useful.

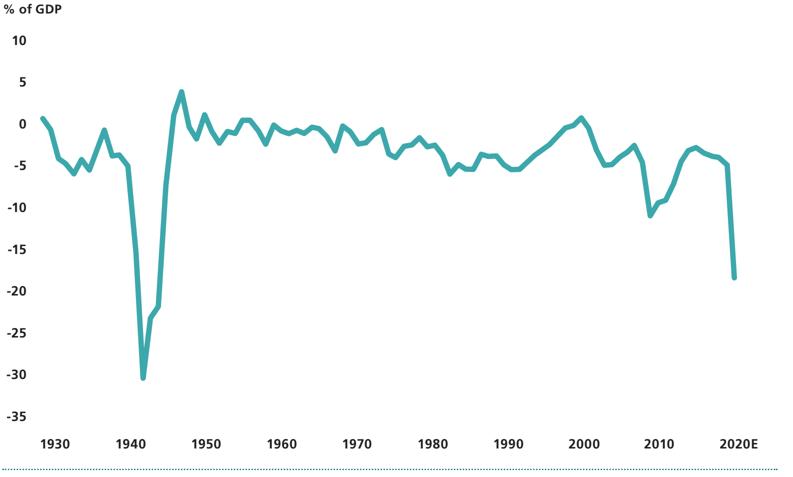
AN UNINTENTIONAL MMT ADVOCATE?

We have an example of an economy which was relatively late in an economic cycle, but growing modestly with spare capacity, which saw a significant fiscal boost: the USA under Donald Trump. The contraction of US deficits of the post-GFC period was reversed by the Trump administration's *Tax Cuts and Jobs Act of 2017,* resulting in a resumption of relatively large deficits in the US. Before the impact of COVID-19 was felt, the Trump tax cuts appeared to have entrenched structural deficits of approximately US$1 trillion, or approximately 4.5% of GDP (in a nominal growth economy of approximately 4.5%)[17].

A long history of deficits in the US provides useful context. While these appear relatively large compared to the 1950s, they are dwarfed by the deficits posted in the 1940s. These deficits were drawn down to fund the US war effort.

The USA's entry into World War II is widely seen as the factor which finally dragged it out of the Great Depression, after a mistaken tightening of monetary and fiscal policy in 1937-38[18].

US FEDERAL GOVERNMENT FISCAL POSITION 1930-2020E, WITH LATEST CONGRESSIONAL BUDGET OFFICE (CBO) ESTIMATE FOR 2020E



SOURCE: *HTTPS://WWW.WHITEHOUSE.GOV/OMB/HISTORICAL-TABLES/*; *HTTPS://WWW.CBO.GOV/PUBLICATION/56335*

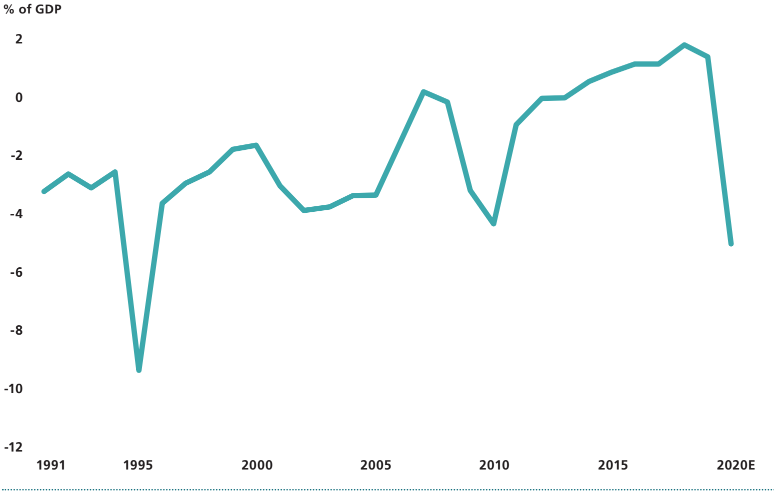
The impact of COVID-19 and the response it forced on policymakers globally has now pushed government budget deficits to levels unprecedented in peace time. In the US for instance, current projections are for a US$3.7 trillion deficit in fiscal 2020 – or 18% of GDP[19].

This pattern is repeated all over the world, but to a lesser degree. Governments are incurring deficits in order to finance their responses to the threat of COVID-19 and ameliorate the damage done to their economies.

Investors might be well served to ask themselves if such stimulus can be rapidly withdrawn by policymakers. When choosing between a double-dip recession and some future inflation, the choice is, in our view, predictable.

As of late May 2020, it is expected that the German federal government budget position will turn from a surplus in 2019 to a deficit of 5% of GDP[20].

GERMAN FEDERAL GOVERNMENT FISCAL POSITION 1991-2020E, WITH BLOOMBERG ESTIMATE FOR 2020E



SOURCE: BLOOMBERG, OECD.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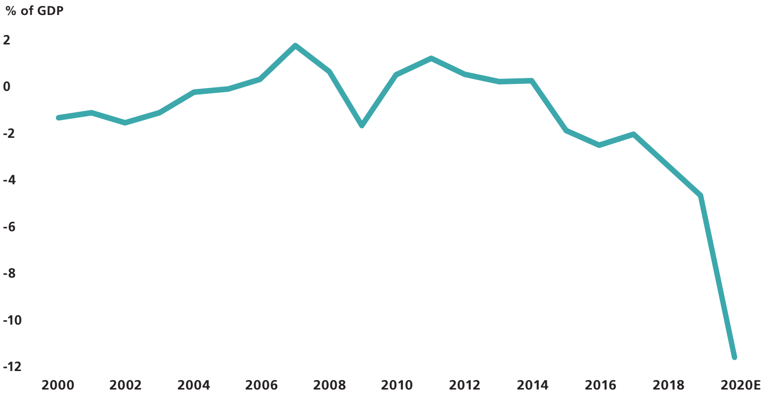
As of late May 2020, it appears that China will see a consolidated budget deficit (including provincial governments and the central government) of approximately 11% of GDP in 2020[21].

CHINESE CONSOLIDATED FISCAL POSITION 2000-2020E, WITH FITCH ESTIMATE FOR 2020E



SOURCE: FITCH.

As of mid-April 2020, it appears that Japan will record a fiscal deficit of approximately 8% of GDP in 2020[22].

JAPANESE FISCAL POSITION 1960-2020E, WITH FITCH ESTIMATE FOR 2020E

SOURCE: BLOOMBERG, FITCH.

In 2017, the world witnessed a period of gentle economic expansion, heralded at the time as global synchronous growth. The US 10-year Treasury yield exceeded 3%, emerging market and cyclicals performed strongly. Yet that period saw only 3.2% global GDP growth, basically on trend for the last 40 years[23].

Since that time, the world has seen a trade war escalate between its two largest national economies and a global pandemic.

In the immediate term, the impact of the COVID-19 pandemic is likely to remain deflationary, with significant underemployment in all major economies and the cessation of whole areas of economic activity, such as travel and tourism.

In the longer term, one might do well to consider the changes obscured by a deflationary pulse:

- Increasing calls by central banks globally for governments to spend money to support economic activity;
- The emergence of populist political figures globally, many with an overt preference for big spending and tax cuts;
- An emerging, influential body of economic ideas which call for governments to create money and spend, with the only restraint on this being the emergence of inflation – in other words, print and spend until inflation emerges;
- The onset of colossal budget deficits in response to the COVID-19 pandemic, particularly in the US, with the attendant, tricky task of withdrawing this stimulus.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There is every chance that the economic context of the post-GFC world has shifted. This may entail higher rates of inflation and nominal growth than previously, along with steeper yield curves and somewhat higher interest rates – certainly higher than those prevailing now.

This may feel a remote prospect, but inflation regimes can change rapidly: In 1915, US consumer price inflation (CPI) was 1% p.a. – in 1917, it was 20% p.a.; in 1945, US CPI was 1% p.a. – in 1947, it was 19% p.a.; in 1972, US CPI was 2% p.a. – in 1975, it was 12% p.a.[24].

Investors who assume that low growth and low inflationary conditions will persist indefinitely, and who therefore seek the safety of bond-like equities and the excitement of profit-free growth may find these assets a poor store of wealth in the years to come. ■

1 *https://fred.stlouisfed.org/series/DGS10*

2 See, for example: *https://www.afr.com/wealth/personal-finance/why-lower-interest-rates-could-boost-equities-20190409-p51ce0*

3 See, for example: *https://www.bloomberg.com/news/articles/2019-11-11/ecb-s-mersch-adds-voice-in-call-for-more-fiscal-stimulus*; *https://www.brookings.edu/blog/ben-bernanke/2020/01/04/the-new-tools-of-monetary-policy/*; *https://www.theguardian.com/australia-news/2019/jul/02/reserve-bank-governor-calls-for-more-federal-spending-to-boost-economy*; *https://www.washingtonpost.com/opinions/2019/03/07/risk-our-economy-secular-stagnation/*; *https://www.afr.com/topic/monetary-policy-5zu*

4 See, for example: *https://www.economist.com/leaders/2019/04/13/the-independence-of-central-banks-is-under-threat-from-politics*

5 For an excellent study of this see *https://www.theguardian.com/world/ng-interactive/2019/mar/06/revealed-the-rise-and-rise-of-populist-rhetoric*

6 *https://www.linkedin.com/pulse/three-big-issues-1930s-analogue-ray-dalio/*

7 *https://mises.org/library/hitlers-economics*

8 See *https://www.cato.org/publications/commentary/economic-leadership-secrets-benito-mussolini* & *https://www.econlib.org/library/Columns/y2015/Samuelsfascism.html*

9 For a fuller understanding of Takahashi, please see Mark Metzler, **"Lever of Empire, The International Gold Standard & Crisis of Liberalism in Prewar Japan"**, University California Press, 2006; Richard J Smethurst, **"From Foot Soldier to Finance Minister: Takahashi Korekiyo, Japan's Keynes"**, Harvard University Asia Center, 2009; for a good, brief discussion of his policies see *http://bilbo.economicoutlook.net/blog/?p=32355* and *https://www.japantimes.co.jp/news/2016/07/19/business/economy-business/helicopter-cash-presents-hopes-japan-history-shows-can-trigger-hyperinflation/*

10 The 22nd Amendment to the US Constitution limits presidential terms at two. It was brought into law in 1947: *https://www.270towin.com/1940_Election/index.html*

11 Jim Rickards, **"Aftermath, Seven Secrets of Wealth Preservation in the Coming Chaos"**, Penguin, New York, 2019, p56

12 *https://www.270towin.com/1940_Election/index.html*

13 Eric Foner, **"FDR and the Evolution of American Freedom in Depression and War"**,1 April 2009; and *https://www.abc.net.au/radionational/programs/saturdayextra/eric-foner---freedom-and-america/3253998*

14 *https://www.newyorker.com/magazine/2013/03/04/how-the-deal-went-down*

15 For more see John Brooks, **"Once in Golconda: A True Drama of Wall Street 1920-1938"**, Wiley & Sons, 1969. John Brooks is one of the best market historians of the twentieth century, and is greatly under appreciated.

16 Warren Mosler, **"Seven Deadly Innocent Frauds of Economic Policy"**, *https://moslereconomics.com/wp-content/powerpoints/7DIF.pdf*; Warren Mosler, **"Soft Currency Economics"**, *http://moslereconomics.com/wp-content/uploads/2018/04/Soft-Curency-Economics-paper.pdf*

17 *https://www.cbo.gov/publication/56309*

18 See, for example: *https://www.thebalance.com/the-great-depression-of-1929-3306033*. However, the position is far from unanimous, see *https://www.forbes.com/sites/peterferrara/2013/11/30/the-great-depression-was-ended-by-the-end-of-world-war-ii-not-the-start-of-it/#1ea84e0657d3*

19 *https://www.cbo.gov/publication/56335*. The US government fiscal year runs from 1 October to 30 September.

20 *https://www.bloomberg.com/news/articles/2020-04-22/german-public-deficit-to-widen-to-more-than-7-of-gdp-this-year*

21 *https://www.fitchratings.com/research/sovereigns/china-npc-signals-restrained-approach-to-policy-stimulus-26-05-2020*

22 *https://www.fitchratings.com/research/sovereigns/japan-coronavirus-response-increases-public-debt-challenge-15-04-2020*

23 *https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG*

24 Quoting Grant Williams; see also Robert Shiller's CPI data *http://www.econ.yale.edu/~shiller/data.htm*