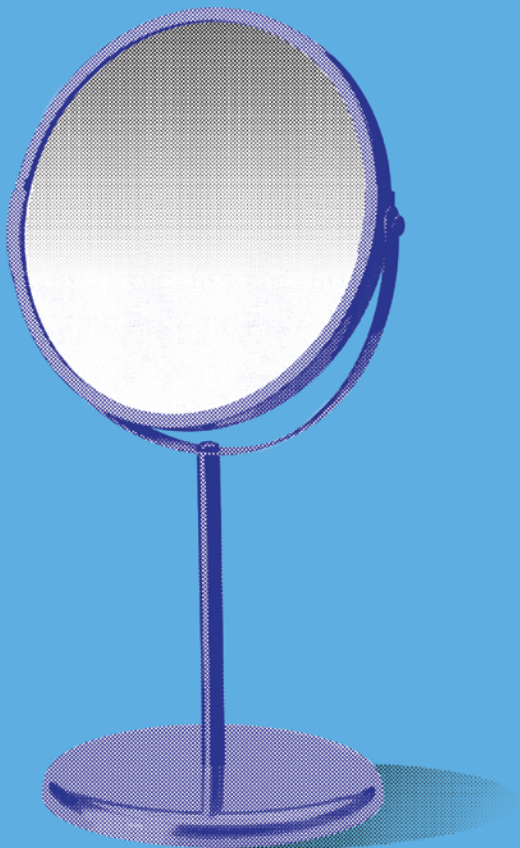
Annual Report 2021



Platinum Asset Management Limited

ABN 13 050 064 287

Directors

Guy Strapp (appointed on 27 August 2020)
Stephen Menzies
Anne Loveridge
Brigitte Smith
Tim Trumper
Andrew Clifford
Kerr Neilson
Elizabeth Norman
Andrew Stannard
Michael Cole (retired on 20 November 2020)

Shareholder Liaison

Elizabeth Norman

Company Secretary

Joanne Jefferies

Registered Office

Level 8, 7 Macquarie Place
Sydney NSW 2000

Phone 1300 726 700 (Australia only)
Phone 0800 700 726 (New Zealand only)
Phone +61 2 9255 7500

Share Registrar

Computershare Investor Services Pty Ltd
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

Ernst & Young
The EY Centre
Level 34, 200 George Street
Sydney 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 Corporate Governance Statement can be viewed at www.platinum.com.au/PlatinumSite/media/About/ptm_corp_gov.pdf

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CHAIRMAN'S REPORT 2021

November 2020 turned out to be a somewhat unusual time to be appointed Chair, with COVID-19 restrictions leading to many remote (rather than physical) board meetings and a generally more challenging process to get to know Platinum's people and business. I am pleased to say that, despite this, I was still able to hold face-to-face meetings with the entire investment team and all the business leaders. Whether in person or online, those early discussions reinforced my early perceptions about Platinum as being a place where the competitive advantage of the business resides largely in the breadth and depth of a talented team. This team is united by a common investment philosophy, one that is focused on generating long-term absolute returns through a contrarian and index-agnostic approach to stock selection.

Importantly, Platinum's business has continued to operate to its full capability while staff were working from home. The management team also adapted Platinum's business development and research processes so that they could continue uninterrupted by the COVID-19 travel restrictions, while continuing to focus on developing Platinum's business and delivering several product enhancements during the year, which I will describe later in this report.

Funds Under Management ("FUM")

The last year was an exceptional period for equity investors, with the global stock market up 28%[1] for the year ended 30 June 2021. Platinum's strategies all delivered strong absolute investment returns, with Platinum's flagship International and Asian equity funds both providing investment returns of circa 26% for the year ended 30 June 2021. The strongest-performing Platinum Trust® funds included the Platinum International Brands Fund (C Class +51%) and the Platinum International Health Care Fund (C Class +32%), which both significantly exceeded the returns of their nominated indices.[2]

FUM as at 30 June 2021 was $23.5 billion, an increase of 10% from the 30 June 2020 closing FUM of $21.4 billion. The change in FUM was driven primarily by investment performance of $5.5 billion. However, this was offset by net fund outflows of $2.3 billion. Although net outflows continued through 2021, despite strong absolute investment returns, they were down from the prior financial year (2020: $3.0 billion).

Average FUM for the year decreased by 1.6% to $23.4 billion from an average FUM of $23.7 billion for the previous year.

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1 MSCI AC World Net Index (A$).

2 MSCI AC World Net Index (A$) and MSCI AC World Health Care Net Index (A$).

References to "Platinum" are to Platinum Investment Management Limited.
Source: Platinum. Fund returns are pre-tax, net of fees and costs and assume the reinvestment of distributions.
Past performance is not a reliable indicator of future returns.

Operating Performance

Profit before tax increased by 6.1% to $234.2 million for the year ended 30 June 2021 (2020: $220.8 million). Earnings per share for the 2021 financial year were up 1.4 cents to 28.2 cents per share (2020: 26.8 cents).

Total revenue and other income increased by 5.9% to $316.4 million for the year ended 30 June 2021 (2020: $298.7 million). The significant increase in gains from Platinum's seed investments was partially offset by a decrease in management and performance fee income. The 3.8% decrease in investment management fees (excluding performance fees) was primarily driven by the 1.6% decline in average FUM.

Costs

Included in the Remuneration Report on page 28 of the Company's 2021 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 the link between investment performance and variable remuneration.

Total employee expenses (including share-based payment expenses) increased by $6.8 million on the prior year. This primarily reflects an increase in variable compensation from the relatively lower level in the previous financial year. Total expenses for the financial year increased by $4.3 million to $82.2 million, on the prior year with employee expenses being the main contributor to this increase. Notwithstanding this, no member of the investment team received variable awards under the Profit Share Plan and Platinum's Chief Executive Officer (CEO)/Co-Chief Investment Officer (CIO), Andrew Clifford, did not receive any variable awards for the 2021 financial year, either under the CEO Plan or the Investment Team Plan.

Other costs decreased by $2.5 million compared to the previous financial year. The cost decrease is primarily due to negotiated cost savings with key suppliers. In addition, COVID-19 continued to restrict some marketing activities and business travel, however, those costs are likely to increase as restrictions ease.

Dividends

The Directors have declared a 2021 final fully franked ordinary dividend of 12 cents per share. This will be paid on 16 September 2021.

A 2021 interim fully franked ordinary dividend of 12 cents per share was paid during the year.

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

CHAIRPERSON'S REPORT 2021
CONTINUED

Business Development
Platinum's broad range of business development activities continued throughout 2021, albeit with some modifications due to COVID-19. Importantly, we also delivered two significant enhancements to our product range.

First, we launched the fixed cash distribution option, which allows investors in the Platinum Trust® funds to elect to receive a fixed (currently 4%) annual cash distribution yield. Many investors rely on the annual distribution as a way to supplement their income. However, because distributions comprise dividends, interest, and realised capital gains or losses on the sale of investments, the distribution in any financial year can be unpredictable. The fixed cash distribution option has been designed to provide investors with access to more certain cash flow outcomes.

We also launched the Platinum Investment Bond (Bond) in March 2021. The Bond is an investment vehicle that offers unique tax treatment, which is not available through many other savings and investment products. The Bond is a collaboration between Platinum (the investment manager) and Australian Unity (through its subsidiary Lifeplan Australia Friendly Society Limited - the issuer and administrator of the Bond). The Bond provides investors with access to two investment options, the Platinum International Fund established in 1995 and the Platinum Asia Fund established in 2003.

Environmental, Social & Governance ("ESG")
Platinum has a deep and consistent commitment to sustainable business practices and responsible investment management. Since 2013, Platinum has been purchasing carbon credits to offset its carbon emissions. Mindful of the need to reduce carbon emissions, from April 2021 our Sydney office began sourcing 100% of its electricity needs from renewable energy sources.

This year, we also strengthened our commitment to ESG by becoming a signatory to the United Nations Principles for Responsible Investment (UN PRI), and in February 2021, we appointed a dedicated investment specialist focused on ESG matters to work with the investment team and the broader organisation on the continued development, integration and communication of our ESG practices and policies.

Lastly, during the financial year we improved our carbon disclosure by publishing our estimates of the carbon emissions generated by our funds' investment portfolios. We hope that investors will use this information to consider ways in which they can offset the carbon emissions generated by their investments in our funds.

For further information on ESG, please read Platinum's 'Corporate Responsibility and Sustainability Report' available on our website.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held as a virtual event whereby shareholders can join online. 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

Platinum's Audit, Risk and Compliance Committee (ARCC) has had a busy year, reviewing Platinum's risk management framework and internal audit plan, receiving regular reporting on risk management matters and the results of internal audits, and monitoring the impact of changes to the legal and regulatory environment affecting Platinum.

The ARCC also oversaw an external audit tender process, resulting in Ernst & Young's appointment being approved by the Company's shareholders at the last AGM. Furthermore, with the introduction of the new Modern Slavery Act 2018 (Cth), the ARCC reviewed PTM's first modern slavery statement, which was filed with the Australian Border Force in March this year. This statement can be found on Platinum's website.

Lastly, as this is the first financial year that PTM is required to disclose against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 4th Edition, the ARCC also reviewed and uplifted PTM's corporate governance policies and procedures to address any gaps arising as a result of the revised requirements.

Platinum's Nomination and Remuneration Committee (NRC) similarly had a busy year. The NRC recommended the aggregate 2021 variable remuneration pool and awards for the CEO, Executive Directors and other senior managers within Platinum. In addition, the NRC continued with the Company's program of succession planning, resulting in the appointment of myself to the Board and Kerr Neilson's orderly transition into a non-executive director role, both in August 2020.

Lastly, the NRC also dedicated much of its time to the development and introduction of a new long-term incentive plan which aims to retain key investment personnel and encourage an orderly transition to the next generation of leaders in the years to come. More details of this plan can be found in the Remuneration Report.

Finally

After the strong returns across Platinum's investment product range during the year ended 30 June 2021, I expect that the future outlook for equity markets will be on the minds of many investors. 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 Platinum's investment outlook.

Guy Strapp
Chairman

25 August 2021

MANAGING DIRECTOR'S LETTER 2021

At the time of writing, a large proportion of Australia's population is in lockdown as the country endures another wave of COVID-19 infections, just as it was a year ago when I was writing last year's letter to shareholders. In many respects, Australia has travelled through this period relatively well, though this is of little comfort to families that have been directly impacted by the disease and the loss of love ones. Nor to those who have suffered serious financial consequences, or to those simply impacted by the transformations of their daily lives and the loss of time with family and friends that cannot be regained. There appears to be light at the end of the tunnel, as our governments ramp up their vaccination efforts, and there are good reasons to hope that 2022 will gradually return to some sense of normalcy. It has clearly been a very difficult time for many of our clients and shareholders and we extend our best wishes to all.

As I reported last year, the business handled the initial lockdown in March 2020 well, with a successful team effort to get the business fully operational on a work-from-home (WFH) basis immediately. As such, when Sydney was subject to lockdowns again in late June 2021, the transfer back to a WFH basis was seamless. In the intervening period, it was good to see the team back in the office from late last year, as we tested hybrid office – WFH arrangements. Our London team was particularly happy to be back in the office after WFH for a full 12 months. From the experience of this period, there are undoubtedly significant benefits to our employees and the business from greater flexibility in our working arrangements. There are also costs as well, most notably, the loss of social connection across the team, which is important in building a cohesive workplace. Finding the right balance in the post-COVID era is likely to be an iterative process and once we are back in the office, we will continue to experiment.

Investment Performance

Investment performance of the Platinum Trust Funds to 30 June 2021

FUND	1-YEAR P.A.	5-YEAR COMPOUND P.A.	10-YEAR COMPOUND P.A.
International Fund	26%	11%	11%
Global Fund (Long Only)[1]	33%	14%	13%
Asia Fund	26%	15%	13%
European Fund	26%	11%	11%
Japan Fund	18%	10%	14%
International Brands Fund	51%	18%	13%
International Health Care Fund	32%	20%	19%
International Technology Fund	29%	18%	15%

Source: Platinum Investment Management Limited.

Fund returns are annualised, calculated using the relevant fund's NAV unit price for C Class and represent the combined income and capital returns over the specified period. Fund returns are net of accrued fees and costs, pre-tax, and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

1 The Platinum Unhedged Fund was renamed Platinum Global Fund (Long Only) on 14 May 2021.

Investment performance is a critical driver of the future performance of our business. Over the last 12 months, clients have experienced strong absolute returns, with almost all our funds producing returns in the mid-20% range or better, for our Australian clients, and in the mid-30% range in US dollar terms for our offshore clients. This has been achieved in an investment environment that remains highly uncertain.

The internet continues to enable new e-commerce businesses that are impacting a wide range of traditional business models, from retail (Amazon, Alibaba), to banking and finance (PayPal, Afterpay), travel and leisure (Priceline, Airbnb, Uber), and media (Google, Facebook, TikTok, Tencent). The biotech revolution promises to make similar far-reaching changes to all the component parts of our healthcare system in the years ahead. There is also the rising urgency for the world to deal with climate change, which is redirecting investment globally toward reducing carbon emissions and away from fossil fuels. Additionally, the global political environment continues to be problematic, with tensions between China and the West remaining at high levels. A raft of regulatory changes over the last year in China have caused uncertainty across a range of industries, including e-commerce and property development, both important drivers of economic growth. Of course, one cannot fail to mention the uncertainty for businesses and consumers induced by the COVID-19 pandemic and the waves of infections that have spread across the world. With this, there have also been extraordinary levels of government spending and money printing in response to the crisis, particularly in the US, resulting not only in dramatic increases in indebtedness in the major economies, but also the highest rates of inflation that have been seen, in some cases, for decades. All this, of course, has occurred at a time when investors can earn miniscule rates of interest on their bank deposits and fixed interest investments.

If one was to describe this highly uncertain environment to investors of a decade ago, who had not experienced the intervening 10 years, it is likely that they would have assumed a highly depressed stock market trading on crisis-level valuations.

Instead, we have one of the most exciting bull markets with some of the most extraordinary valuations seen in history, at least in some segments of the market. One could readily explain the phenomenon to a degree. Investors, pushed into the market by low interest rates on their savings, decided to back the companies that were winners in this environment, whether that be the fast-growing e-commerce, payments, and software companies, or in biotech companies revolutionising healthcare and helping to fight COVID-19. Alternatively, investors sought out highly defensive businesses selling consumer staples, such as household products and food and beverages. Investors, naturally, avoided anything exposed to the wild swings in the global economy, or potentially impacted by the tensions between China and the US.

MANAGING DIRECTOR'S LETTER 2021
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This all makes intuitive sense. Unfortunately, it misses the most critical variable in investing, and that is, the return you receive in the long run will be determined by the price you pay for your investment and the future earnings or cashflows that it produces. Today, the prices being paid for the obvious beneficiaries of the current environment are high by any standard of history, even when adjusted for today's low interest rates. Perhaps more importantly, there are risks for today's market darlings that are possibly not given enough attention by investors. One risk is the potential for higher interest rates if inflation remains more persistent than otherwise expected. Another risk is the extraordinary sums of capital being attracted into these fast-growing areas, setting the scene for a more competitive environment in the future. Netflix faces numerous new players in video streaming, as does Afterpay in the buy now, pay later (BNPL) sector. Facebook now has to share user's attention with TikTok. It is not unusual for disruptors in fast-growing sectors to be disrupted! Finally, there is the attention of the competition authorities around the world, that are carefully examining the business practices of the largest e-commerce players.

Does the rapid change in technology the world is experiencing, together with permanently low interest rates, mean that "this time is different"? Or is it just like any other bull market in history, where excess liquidity and a good story propel prices ever higher? Only time will tell, but the one feature of the investing landscape that is likely to remain permanent, is the role of human psychology. Investors' intuitive responses, driven by their cognitive biases, lead them to be systematically overly optimistic when times are good, and similarly overly pessimistic when they are not. These biases are at the core of Platinum's investment approach of looking amongst the out-of-favour stocks for opportunities and avoiding the popular stocks. As such, our conclusion is that it is likely that we are in a traditional bull market, that will end at some point, with painful consequences for those who remain invested in the hottest parts of the market when the music stops!

Funds Under Management – Retention and Growth

Funds Under Management ($ million, to 30 June 2021)

FUNDS	OPENING BALANCE (1 JULY 2020)	FLOWS	INVESTMENT PERFORMANCE	DISTRIBUTION AND OTHER	CLOSING BALANCE (30 JUNE 2021)	% OF TOTAL
Retail offerings						
Platinum Trust Funds (excluding funds fed from PIXX and PAXX) and Platinum Global Fund (mFund)	13,241	(1,323)	3,389	(759)	14,548	62%
Quoted Managed Funds PIXX and PAXX	453	(18)	112	(29)	518	2%
Listed Investment Companies PMC and PAI	837	-	213	(62)	988	4%
MLC Platinum Global Fund	656	(109)	185	-	732	3%
Institutional mandates						
Management Fee Mandates	2,144	(277)	559	-	2,426	10%
UCITS Platinum World Portfolios	448	(111)	110	-	447	2%
Cayman Funds	30	-	8	-	38	0%
"Absolute" Performance Fee Mandates	352	(71)	77	-	358	2%
"Relative" Performance Fee Mandates	3,224	(346)	798	(209)	3,467	15%
TOTAL	**21,385**	**(2,255)**	**5,451**	**(1,059)**	**23,522**	**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). Past performance is not a reliable indicator of future returns.

MANAGING DIRECTOR'S LETTER 2021
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Funds under management were up 10% for the year to $23.5 billion, despite net outflows from the funds of $2.3 billion and a cash distribution at year end of a further $1 billion. These net outflows were more than offset by strong absolute investment performance that added $5.5 billion to the value of the funds. While we would usually see strong investment performance as a prelude to better funds flow in the future, there are a number of other variables to consider. Firstly, there has been a proliferation of new global managers in the Australian market in recent years, of which many have so-called growth investment styles. While we suspect this investment style will be seriously challenged at some point in the future, the behaviour of investors to follow past returns will likely see these managers take a significant share of fund flows for the moment.

A longer-term issue is the trend towards the use of exchange-traded funds (ETFs). Hand in hand with this trend, has been the acceleration of the DIY investor during the pandemic, as highlighted by the success of the free trading program Robinhood in the US, and similar platforms elsewhere. While ETFs are traditionally associated with passive or index investing, increasingly, ETF providers are preying on investors' fear of missing out, by packaging up neat parcels of stocks that tap into favourite investment themes, such as cloud computing or clean energy. A bear market may create a setback for the DIY investor and ETFs, though we suspect over the longer term, this trend will be ongoing. Our quoted managed fund (QMF) versions of the Platinum International Fund and Platinum Asia Fund were launched in 2017 to address this market (along with providing direct market access to our funds for our existing client base) and have been successful with $512 million under management (as at 31 July 2021). However, our assessment is that the DIY ETF investor has somewhat different requirements to our traditional client base, and accordingly, we are currently exploring the possibility of developing products to better target this market.

Of increasing importance for our clients is their fund manager's focus on the sustainability of their investee companies with respect to environmental, social and governance (ESG) issues. As long-term investors, a focus on the sustainability of our investments, across a range of issues, including those relating to ESG, has always been central to our process. Today's market requires us to clearly demonstrate this to our clients, and as such, we have made the consideration of ESG issues an explicit part of our process. Additionally, we are in the early stages of increasing our engagement with our investee companies on ESG issues. Our goal is to set the standard in ESG integration in investing, which we can comfortably do without changing our fundamental approach to investing. We have recruited a dedicated ESG analyst to work with the investment team on delivering an approach to ESG that is deeply integrated in our investment analysis, and clearly communicated to our clients. Early initiatives include publishing the underlying carbon emissions of our investee companies in our funds, and providing clients with an ability to offset these emissions via the purchase of carbon credits. Additionally, we have become a signatory to the United Nations Principles of Responsible Investing (UN PRI).

We continued to evolve the communications effort with regard to financial advisers and our direct investors. This was evidenced through the regular rollout of enhanced webinars, virtual meetings and in some instances, a return to face-to-face meetings. Investment content was timely, accessible via a number of mediums, and widely distributed – not only through Platinum's website, social media and advertising, but through several external content distributors. For the second year, we held our annual investor and adviser roadshow as a virtual event for Australian and New Zealand clients, as well as for our overseas UCITS clients.

On our product and service offerings, we launched the Platinum Investment Bond in collaboration with Australian Unity. The product allows investors to access our global and Asian equity investment capabilities through the structure of a tax-effective investment bond. The attraction also lies in the ease of attaining long-term savings goals, estate planning benefits, as well as a product that caters for those who may have reached the upper limit of their superannuation contributions. We also introduced a fixed cash distribution option for the Platinum Trust Funds that offers investors the convenience of a stable cash flow. This removes the uncertainty for clients around the distribution amount, which is a particularly appealing feature for retirees.

One of the biggest impacts of COVID-19 has been on our ability to expand our offshore businesses in Europe and the US, with our London office and the AccessAlpha Worldwide team in the US, limited by the extended periods of lockdowns in their respective countries and their inability to travel to meet prospective clients. Additionally, our investment specialists and investment team members have been unable to lend the usual support to the effort. While we have, of course, taken to virtual client interactions and attended numerous virtual conferences and events, both locally and offshore, our experience has been that, while this approach has been effective in maintaining contact with existing clients, it has been less effective in engaging with new prospects. Given the uncertainty of the last 12 months, it is our assessment that many prospective clients have been unwilling to make substantial changes to their manager line-ups.

Building on Platinum's continued progression of team members, a number of investment analysts and portfolio managers transitioned to new roles and opportunities. This included the appointment of Clay Smolinski to the role of co-Chief Investment Officer, alongside myself. Clay's appointment will greatly assist in embedding the investment fundamentals across the team, as well as assisting with the client-facing communications that go hand in hand with the role.

Platinum continuously focuses on the growth and development of the investment team and we pride ourselves on the long tenure of its members. Our portfolio managers have an average of 17 years of investment management industry experience (as at 30 June 2021), with 15 years at Platinum. Other members of the investment team on average have been with Platinum for more than seven years. We recognise that not everyone will spend their entire career at Platinum, and so our focus is on ensuring that the team continues to perform at a high level and there is a smooth succession when individuals depart.

MANAGING DIRECTOR'S LETTER 2021

CONTINUED

Costs

Costs remain well controlled, coming in at 26% of total revenue, in line with the previous financial year. Within these, employee costs rose $7.2 million to $44.4 million in 2021 (2020: $37.2 million). As previously discussed, the 2021 financial year saw strong investment performance across our funds. It should therefore be of no surprise to shareholders that variable compensation increased on the prior year. This increase was further accentuated by the full-year impact of 2020 salary increases and higher leave and on-cost expenses (partly COVID related).

Share-based payment expenses totalled $6.4 million in 2021, roughly in line with the prior year. The current year charge reflected the combined cost of our deferred short-term remuneration plan (which defers a portion of each year's short-term incentive over four years and is payable in Platinum shares) and our new Platinum Partners Long Term Incentive Plan, which has an eight-year service period and total shareholder return vesting conditions. The introduction of the Partners Plan is an important step in both aligning the interests of key staff with shareholders and also enhancing our remuneration structure to attract and retain. I expect the plan to become a more significant part of senior staff members' total compensation in future years, with a commensurate impact on share-based payment expense. More information on this initiative can be found in the Remuneration Report.

Non-employee costs reduced 7%, from $33.9 million in 2020 to $31.4 million in 2021. This was due to strong cost control across all expense categories (partly COVID related), as well as the turnaround effect of one-off 2020 legal expenses and office fit-out charges. It is a measure of Platinum's culture of thrift that 2021 non-employee costs were actually lower than they were in 2018, with the additional costs of offshore office and product expansion being more than offset by savings in other areas of the business.

Outlook

It is highly likely that over the next 12 months, as progress is made in vaccinating large portions of the populations in the major economies, that the world will continue to progress toward a full reopening. This should underwrite ongoing improvements in economic activity. Whether this translates into good performance for stock markets is far from clear, given the many uncertainties outlined earlier. Nevertheless, it is a market environment that we would expect will provide many opportunities to investors. The investment team is focused on ensuring our funds are well positioned to take advantage of such opportunities as they arise.

Concluding Remarks

There are many elements to the funds management business that happen behind the scenes. The daily processing of fund applications and redemptions, answering our client phone calls and emails, the settlement of our purchases and sales of shares for the funds, ensuring we meet the complex regulatory requirements for this industry, and keeping our IT systems up to date. We are fortunate to have a team of dedicated professionals in all these roles who do a tremendous job in ensuring that our business runs efficiently, and in navigating the past 12 months, I would like to thank them for their hard work.

Finally, I would like to thank our clients and shareholders for their continued support during a challenging year, and again extend our best wishes to all to stay safe and keep well.

Andrew Clifford
Managing Director

Financial Statements 2021

Platinum Asset Management Limited

General Information

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 August 2021. The Directors have the power to amend and reissue the financial statements.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 August 2021.

Distribution of ordinary shares

Analysis of number of ordinary shareholders by size of holding:

	NUMBER OF HOLDERS OF ORDINARY SHARES
1 to 1,000	5,067
1,001 to 5,000	10,909
5,001 to 10,000	3,319
10,001 to 100,000	2,282
100,001 and over	80
	21,657
Holding less than a marketable parcel (less than $500)	480

Ordinary shareholders

Twenty largest ordinary 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	89,069,072	15.18
Platinum Investment Management Limited (nominee)	29,364,201	5.01
JP Morgan Nominees Australia Limited	26,899,699	4.59
Citicorp Nominees Pty Limited	24,765,534	4.22
Pacific Custodians Pty Limited	8,018,094	1.36
National Nominees Limited	7,263,124	1.24
Jilliby Pty Limited	6,500,000	1.11
J Clifford	5,000,000	0.85
BNP Paribas Nominees Pty Limited	3,825,232	0.65
BKI Investment Company Limited	1,738,000	0.30
BNP Paribas Nominees Pty Limited	1,697,637	0.29
Xetrov Pty Limited	1,500,000	0.26
Mrs Michele Martinez	1,072,309	0.18
Starbrook Enterprises Pty Limited	1,000,000	0.17
Brispot Nominees Pty Limited	953,405	0.16
BNP Paribas Nominees Pty Limited Six SIS Limited	816,913	0.14
First Samuel Limited	803,066	0.14
Citicorp Nominees Pty Limited	760,381	0.13
	463,121,508	78.94

Unquoted ordinary shares

There are no unquoted ordinary shares, however the Company has shares based payment arrangements through which a total of 15,202,506 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 will have already been acquired on-market) will be allocated to these employees (please refer to the Remuneration Report and Note 17 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	2 September 2021
Record date (books close) for dividend	3 September 2021
Dividend payment date	16 September 2021

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 on Friday 17 November 2021. Details of how to attend 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 2021.

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:

Guy Strapp	Chairman (from 21 November 2020) and Non-Executive Director (appointed on 27 August 2020)
Stephen Menzies	Non-Executive Director
Anne Loveridge	Non-Executive Director
Brigitte Smith	Non-Executive Director
Tim Trumper	Non-Executive Director
Kerr Neilson	Non-Executive Director (Executive Director until 31 August 2020)
Andrew Clifford	Chief Executive Officer/Managing Director
Elizabeth Norman	Executive Director and Director of Investor Services and Communications
Andrew Stannard	Executive Director and Chief Financial Officer
Michael Cole	Chairman and Non-Executive Director (retired on 20 November 2020)

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 2021 was $23.5 billion and this represented an increase of 10% from the 30 June 2020 closing FUM of $21.4 billion. The closing FUM figure at 30 June 2021 was reduced by the annual net distribution outflow of $997 million. Average FUM for the year of $23.4 billion was similar to the average FUM of $23.7 billion for the previous year. The change in closing FUM was driven by absolute investment returns of $5.5 billion offset by net fund outflows of $2.3 billion and the 30 June 2021 net distribution.

The Group's profit before tax was $234 million for the year ended 30 June 2021, which is a 6.1% increase from the previous year. The increase in profit before tax was primarily due to gains on investments.

DIRECTORS' REPORT

CONTINUED

The Group earned performance fee revenue of $4.0 million (2020: $9.1 million). Absolute investment performance contributed to the value of PIML's seed investments which made a net gain for the year of $43.9 million (2020: $8.7 million). Staff costs (including share-based payments and related on-costs) were higher compared to the prior period, primarily due to higher variable compensation expenses. Non-staff expenses reduced by $2.5 million compared with the prior year primarily due to a decrease in custody costs that was partially offset by increased insurance expense.

The Chairperson's report and Managing Director's Letter to shareholders provide further discussion and analysis of the group's financial results and investment performance.

Platinum continues to implement 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 Platinum's ability to perform core business activities or on Platinum's revenues. Accordingly, Platinum has not received any COVID-19 related financial assistance or support.

Platinum believes it is well positioned for growth because:

- It maintains a highly differentiated product and maintains a strong position in the Australian retail market;
- Our 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 2021 final fully franked dividend of 12 cents per share ($70,401,468 including dividend paid on treasury shares), with a record date of 3 September 2021 and payable to shareholders on 16 September 2021.

A 2021 interim fully franked dividend of 12 cents per share ($70,401,468 including dividend paid on treasury shares) was paid on 18 March 2021. A 2020 final fully franked dividend of 11 cents per share ($64,534,679) including dividend paid on treasury shares) was paid on 22 September 2020.

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, Social & Governance ("ESG") Reporting

Shareholders are encouraged to read Platinum's Corporate Responsibility and Sustainability Report which is available at www.platinum.com.au/About-Platinum/ptm-shareholders.

It is noted that the consolidated entity is not subject to any significant environmental regulation under Commonwealth, State or Territory laws.

Information on Directors

Guy Strapp BCOM, DIP AF&I, CFA
Independent Non-Executive Director since 27 August 2020. Chairman (since 21 November 2020) and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees (since 27 August 2020).

Mr Strapp 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.

Stephen Menzies BECON, LLB, LLM
Independent Non-Executive Director since 11 March 2015. Chair of the Nomination & Remuneration Committee and member of the Audit, Risk & Compliance.

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. Mr Menzies is a director of Platinum World Portfolios Plc. Former directorships include Freedom Insurance Group Ltd until 29 April 2019 and Century Australia Investments Limited until 5 March 2019.

DIRECTORS' REPORT

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

Ms Loveridge has over 35 years' of experience in the financial services industry including as a Committee Chairperson and Non-Executive Director for three ASX-listed organisations. Formally trained as a Chartered Accountant, Anne has a breadth of experience in financial reporting, auditing, risk, ethics and regulatory affairs following a 30 year career at PwC Australia, where she retired as Partner and Deputy Chair in 2015. Through various senior leadership roles, Anne also has experience and a focus on leadership, performance and culture. 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 since 31 March 2018. Member of the Audit, Risk & Compliance and Nomination & Remuneration Committees.

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 since 1 August 2018. Member of the Audit, Risk & Compliance and Nomination & Remuneration Committees.

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
Non-Executive Director from 1 September 2020 (Executive Director from 12 July 1993 to 31 August 2020). Member of the Audit, Risk & Compliance and Nomination & Remuneration Committees (since 1 September 2020).

Mr Neilson founded Platinum 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.

DIRECTORS' REPORT
CONTINUED

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 asset management and banking, in England and across Asia Pacific.

Ms Jefferies joined Platinum from BNP Paribas Securities Services, where she was Head of Legal, Asia Pacific and Company Secretary of all Australian subsidiaries. Prior to this Ms Jefferies held senior legal positions with Russell Investments, Morley Funds Management (Aviva Investors) and Lord Abbett. She also served as the General Counsel for the UK's funds management industry association, the Investment Association.

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 2021, and the number of meetings attended by each Director were:

	BOARD (HELD 6) ATTENDED	NOMINATION & REMUNERATION COMMITTEE (HELD 6) ATTENDED*	AUDIT, RISK & COMPLIANCE COMMITTEE (HELD 4) ATTENDED*
Guy Strapp**	5	5	4
Stephen Menzies	6	6	4
Anne Loveridge	6	6	4
Brigitte Smith	6	6	4
Tim Trumper	6	6	4
Kerr Neilson***	6	5	3
Andrew Clifford	6	–	–
Elizabeth Norman	6	–	–
Andrew Stannard	6	–	–
Michael Cole**	3	2	2

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

** Mr Strapp and Mr Cole attended all meetings held during the time they were Directors.

*** Mr Neilson was appointed a non-executive director as of 1 September 2021. Mr Neilson has attended all Committee meetings since 1 September 2021.

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 2021	30 JUNE 2020
Platinum Asia Fund	Andrew Clifford	5,504,435	4,596,001
	Kerr Neilson	47,323,794	70,032,218
	Elizabeth Norman	1,271,902	933,746
	Tim Trumper	27,268	27,268
Platinum International Fund	Andrew Clifford	30,502,697	29,623,555
	Kerr Neilson	14,817,222	36,530,841
	Elizabeth Norman	512,480	497,709
	Stephen Menzies	62,530	62,530
Platinum Global Fund	Andrew Clifford	6,017,357	5,566,437
	Kerr Neilson	5,000,000	5,000,000
	Elizabeth Norman	696,663	644,457
Platinum European Fund	Kerr Neilson	15,399,420	11,725,650
	Elizabeth Norman	283,112	–
Platinum Japan Fund	Kerr Neilson	34,029,763	37,515,151
	Elizabeth Norman	239,591	235,287
Platinum Global Fund (Long Only)	Kerr Neilson	27,691,013	27,542,508
	Elizabeth Norman	171,193	153,677
Platinum International Brands Fund	Kerr Neilson	2,533,841	2,518,798
Platinum International Healthcare Fund	Kerr Neilson	12,723,287	12,650,427
	Elizabeth Norman	182,975	–
Platinum International Technology Fund	Kerr Neilson	14,504,419	9,173,625
Platinum International Fund (Quoted Managed Hedge Fund)	Anne Loveridge	15,721	12,454
Platinum Asia Fund (Quoted Managed Hedge Fund)	Anne Loveridge	15,252	12,356
	Brigitte Smith	60,358	59,093
	Stephen Menzies	24,398	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 of Auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

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 24 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 24 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 53.

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

Guy Strapp
Chairman

Andrew Clifford
Director

25 August 2021
Sydney

DIRECTORS' REPORT

CONTINUED

Remuneration Report

A Message from the Chair of the Nomination and Remuneration Committee

On behalf of the Board, I am pleased to present the 2021 Remuneration Report.

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 preserve clients' capital during market downturns. 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, Platinum can only achieve strong investment performance if it is able to attract and retain strong investment talent, supported by a team of similarly talented client service, business development and operational staff, since the key to the success of any asset management company lies in the skill and tenure of its team.

Accordingly, Platinum's remuneration program has three key elements, being fixed remuneration (salary and superannuation), short term variable awards, and long term variable awards.

To ensure the alignment of Platinum's investment team with investment returns for clients, the size of the short term variable remuneration pool for the investment team generally varies with the extent of relative investment performance generated for our 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 inevitable. During such periods, the Board retains the right to make discretionary awards as it deems appropriate having regard to a number of quantitative and qualitative measures. The Committee focussed this year's discretionary awards on the need to recognise and reward good performance by those individuals who need to be retained by the Company.

Furthermore, to ensure a strong alignment with shareholders, this year Platinum introduced the new Platinum Partners Long Term Incentive Plan (the "Partners Plan"), with awards this year being granted to a number of Platinum's investment team members. These awards have an eight year service period (more than double the typical industry standard) and vesting of the awards is dependent on certain total shareholder return ("TSR") hurdles being achieved. The objective of this new plan is to attract and retain key talent by providing an opportunity to share in the firm's future value creation.

Platinum's Nomination and Remuneration Committee has been active in the 2021 financial year and up to the date of this report. In particular, we have:

- Introduced the new Partners Plan with initial awards being made under the plan to key investment team members as part of Platinum's broader succession and retention policy;
- Continued to push forward our program of Board renewal with the appointment of a new Chairman;
- Reviewed and updated the CEO's remuneration arrangements and KPIs;
- Reviewed and recommended to the Board the aggregate 2020/2021 variable remuneration pool as well as the individual awards for the CEO, executive directors and senior managers; and
- Approved Platinum's revised diversity and inclusion policy and objectives.

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 2021. The Remuneration Report forms part of the Directors' Report.

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

Summary of Remuneration Outcomes for 2021

The Board remains focussed on ensuring there is a robust and rigorous process in place to determine remuneration outcomes. The Board applied significant oversight and judgement to ensure remuneration outcomes were fair, appropriate and competitive having regard to both individual and company-wide performance.

In determining remuneration outcomes this year, the Board specifically:

- Sought to reward selected individuals within our client service, business development and operational teams who made outstanding contributions during the year. The Board recognises that it is critical that the Company retain talented non-investment staff to incentivise future innovation and business growth.
- Acknowledged that there were a number of investment professionals who delivered strong investment outcomes across a number of Platinum's sector funds and who were consequently worthy of recognition.
- Considered the current level of staff ownership in the Company and the alignment of remuneration with shareholders' return experience.
- Took into account the need to balance shareholder outcomes against key staff retention risk.

The outcomes were as follows:

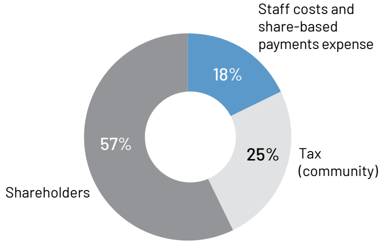
- Staff expenses increased by $7.2m on the prior year. Short term incentive payments accounted for $3.2m of this increase, with the remainder of the increase reflecting salary rises, termination payments, increased leave related accruals (largely due to COVID-19) and payroll tax related accrual adjustments. The underperformance of the international fund, relative to its index, was countered by significant outperformance in several of our sector funds. In comparison to the prior year, short term variable remuneration for the investment team (as a whole) increased, as did variable remuneration for non-investment staff (as a whole).
- There were no awards made under the Profit Share Plan ("PSP"), largely due to the under-performance of our international fund versus its index. However, the Investment Team Plan and General Employee Plan cash pools were increased. With the exception of a small group of employees who each made outstanding contributions to the business, increases in cash variable awards for non-investment staff members were generally modest, as were salary increases.

- A total of $8.9m (2020: 8.7m) of short term variable remuneration was deferred for four years via the issuance of deferred rights under the existing Deferred Remuneration Plan. These rights will vest in June 2025 subject to continued service and non-forfeiture conditions. The accounting impact of the awards will be expensed through the profit and loss statement over the five year service period of the awards, so the expense impact will be apportioned over time.
- A total of 8.2m rights (2020: Nil) were awarded to select investment team members (excluding KMP) under the new Platinum Partners Long Term Incentive Plan ("Partners Plan"). Vesting of the rights is subject to Total Shareholder Return (TSR) conditions being met and other non-forfeiture conditions. The rights have a June 2029 exercise date. The awards will be expensed through the profit and loss statement over their nine year accounting service period, so the expense impact will be apportioned over time. The Committee intends that the operation of the Partners Plan will be extended more broadly in the future (including to KMP and non-investment team key leaders) to promote a greater alignment between the teams and with shareholders.
- As was the case in 2020, the Chief Executive Officer/Chief Investment Officer, Mr Andrew Clifford, did not receive any variable awards in 2021.

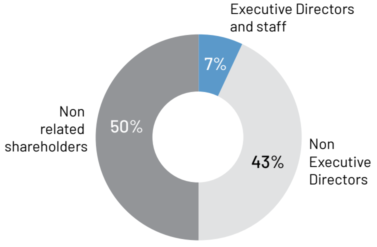
The allocation of the 2021 profits attributed to both shareholders and staff (in the form of remuneration) is outlined in the first graph below. It shows that the compensation awarded to staff was modest, relative to the returns to shareholders, with shareholders receiving a share of profits more than three times greater than staff.

The second graph shows that alignment between director/staff shareholders and non-related shareholders remains strong. That said, with the transition of Mr Kerr Neilson into a non-executive directorship in September 2020, the Board is cognisant of the need to increase the equity ownership of key personnel over time, subject to the creation of shareholder value. The awards made this year under the new Partners Plan mark an important first step in this journey.

Graph 1: Share of 2021 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 clients' capital against downside market risk. The Company can only achieve this by attracting and retaining superior investment talent, supported by a team of similarly talented client service, business development and operational staff.

The success of our remuneration program is best measured by our long-term investment performance outcomes and the retention rate of key staff members.

Platinum's remuneration program has three[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 nature of the role and the required levels of skills and experience.
2. Short Term Variable Remuneration (cash and deferred equity): 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 (comprised entirely of non-executive directors), before ultimately being approved by the Board. Variable awards can be made in the form of cash or by an award of deferred rights that vest after a four year period, subject to continuous service during that period and other non-forfeiture conditions. This deferral element is designed to align employee's interests with shareholders', retain talent and foster sound financial, operational and risk management practices.
3. Long Term Variable Remuneration: key members of staff will be periodically invited by the Nomination & Remuneration Committee (upon the recommendation of the CEO), to participate in the new Partners Plan in order to directly align their compensation with shareholder value creation. These awards take the form of deferred rights and have an eight year service period. Vesting of the rights is dependent on certain total shareholder return hurdles being achieved.

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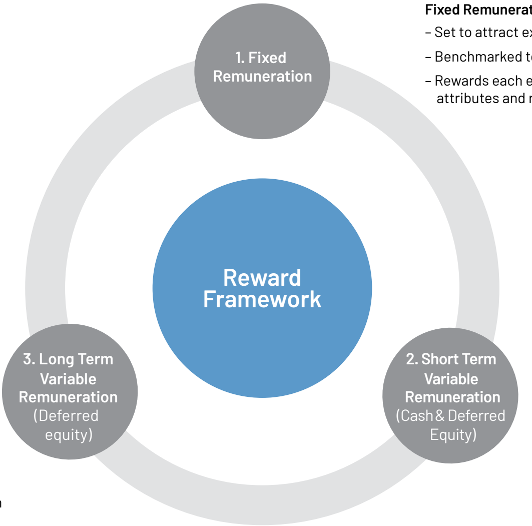
1 Platinum also has two inactive long-term Remuneration Plans, being an "Options and Performance Rights Plan" (OPRP) and a "Fund Appreciation Rights Plan" (FARP).



Fixed Remuneration

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

Long Term Variable Remuneration (Deferred equity)

- On an invitation only basis
- Improves alignment of employees and shareholders to future value creation
- Vesting subject to performance hurdles
- Significant deferral period to encourage a long term commitment to the firm

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 (Deferred equity)

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

Short Term Variable Remuneration Plans

There were three short term variable cash remuneration plans in operation during the 2021 financial year, each of which operated in conjunction with the short term 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 award the value of which is linked to the PTM share price, which will vest four years after the grant date 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 the Investment Team Plan and the Profit Share 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, skills 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 (upon the recommendation of the CEO), generally during the annual award cycle. The proportion of each short term variable award that is allocated as deferred rights under the plan will vary 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") at which PTM shares were traded on the ASX over the seven trading days prior to the award 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 rights. If an employee resigns from Platinum before the four year vesting period, in most circumstances, the deferred rights will be forfeited.

In order to satisfy the obligations of the Company that arise from the granting of deferred rights, the Company currently intends to purchase PTM shares on-market and hold these shares within an employee share trust. Upon the exercise of a deferred right, eligible employees will receive one PTM ordinary share from the employee share trust in satisfaction of the right. No amount is payable by any eligible employee on either grant or exercise of the right. There is flexibility within the plan for the Committee to award cash or some other instrument rather than deferred rights, but the Committee currently envisages awarding rights over 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.

Platinum Partners Long Term Incentive Plan (applies to selected staff only)

In July 2021, the Nomination & Remuneration Committee approved the new Platinum Partners Long Term Incentive Plan ("Partners Plan"). The objective of the Partners Plan is to directly align employees' compensation with shareholder value creation, foster sustainable growth, sound financial, operational and risk management practices, and to retain key talent. In its first year of operation the Committee approved allocations in the Partners Plan to members of the investment team.

Eligible employees are invited to participate in the Partners Plan by the Nomination & Remuneration Committee (upon the recommendation of the CEO), generally during the annual award cycle following a robust selection process that takes into account the performance of the individual, their contribution to the broader business and their likely contribution to future shareholder value creation. This approach is deliberately not formulaic but instead reflects the best judgement of Directors. The amount of each award will vary by employee, taking account the factors noted above. The number of deferred rights awarded is determined by dividing the discretionary award amount by the PTM share price, using a volume weighted average price ("VWAP") at which PTM shares were traded on the ASX over the seven trading days prior to the grant date.

The vesting of the deferred rights is conditional upon the Company meeting minimum Total Shareholder Return ("TSR") performance hurdles as set forth in the table below ("TSR Hurdle"). Alternative criteria to TSR (for example financial growth or Investment performance measures) were considered by the Board but ultimately rejected as either not being fully aligned to shareholder outcomes, that could then generate perverse award outcomes (potentially applicable if individual investment performance was used as a criteria), or already employed as a criteria for short term awards (in the case of aggregate investment performance), or substantially correlated to TSR (in the case of EPS or Revenue growth). Each award that is granted, is divided into four tranches, with one quarter of the award being tested against the TSR Hurdle at the end of each year following the award grant date ("Performance Period"), for four years. The start price for the TSR Hurdle calculation will be the VWAP at which PTM shares were traded on the ASX over the seven trading days prior to the first trading day of the relevant Performance Period, and the end price will be the VWAP at which PTM shares were traded on the ASX over the seven trading days up to and including the last trading day of the relevant Performance Period. The number of PTM shares that an employee will be entitled to receive upon exercise of a deferred right within a tranche, will depend on the annualised TSR achieved by the Company during the relevant Performance Period (see table below). If the minimum TSR Hurdle (i.e. 7.5%) for a Performance Period is not met, then that tranche of deferred rights will not meet the vesting condition and will be forfeited.

AWARD PERFORMANCE PERIOD	PROPORTION OF AWARD THAT IS TESTED AGAINST THE TSR HURDLE	TSR
Year 1	25%	1 Year TSR
Year 2	25%	2 Year annualised TSR
Year 3	25%	3 Year annualised TSR
Year 4	25%	4 Year annualised TSR

DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued

TSR HURDLE (VESTING CONDITION)	ENTITLEMENT TO RESULTING PTM SHARES PER DEFERRED RIGHT
TSR < 7.5%	Nil
TSR between 7.5% and 10% (target)	Between 0.75 and 1 (on a pro-rata straight line basis)
TSR between 10% and 15%	Between 1 and 2 (on a pro-rata straight line basis)
TSR at or above 15%	2

The exercise of deferred rights that have vested i.e. those deferred rights that have met or exceeded the TSR Hurdle for a Performance Period, is also subject to an eight year continuous service condition. In order to protect shareholders from the dual risks of loss of revenue and the loss of other key staff, Platinum has introduced certain "bad leaver" provisions under the Partners Plan rules. Under these rules, if an eligible employee leaves Platinum prior to the expiry of the eight year service condition, the employee will forfeit all deferred rights awarded (both vested and unvested) if the Board determines, acting reasonably, that the employee is a "bad leaver". A bad leaver is defined under the Partners Plan rules, and includes a failure to comply with Platinum's non-compete / non solicit / non-poaching conditions. Furthermore, awards of deferred rights may also be forfeited in accordance with any malus/clawback policy as may be established by the Board from time to time.

Following the expiry of the eight year service condition, an eligible employee has a further five years to exercise any vested deferred rights. In certain limited situations, as set forth in the plan rules, the right to exercise deferred rights (both vested and those that subsequently vest after the relevant leaving date) may be accelerated if an eligible employee leaves Platinum prior to the expiry of the eight year service condition, provided that the Board has not determined that the employee is a "bad leaver".

In order to satisfy the obligations of the Company that may arise from the granting of deferred rights, the Company currently intends to purchase PTM shares on-market and hold these shares within an employee share trust. However, under the plan rules, the Company may also issue shares to satisfy deferred rights that are exercised. No amount is payable by any eligible employee on either grant or exercise of a deferred right.

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 carry an entitlement to an alternative dividend equivalent payment. This entitlement arises once a tranche of an award meets its TSR Hurdle for a Performance Period and continues until the corresponding deferred rights are exercised ("Holding Period"). During the Holding Period, an eligible employee will receive an amount approximately equal to the amount of dividends[5] that would have been paid to the employee had they held the relevant resultant number of shares from the date the TSR Hurdle was met.

Platinum has two inactive long-term remuneration plans, being an "Options and Performance Rights Plan" (OPRP) and a "Fund Appreciation Rights Plan" (FARP). There were no allocations under either plan in the current or prior year.

5 Adjusted for franking credits.

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
Guy Strapp	Chairman (appointed 21 November 2020) and Non-Executive Director (appointed 27 August 2020)
Stephen Menzies	Non-Executive Director
Anne Loveridge	Non-Executive Director
Brigitte Smith	Non-Executive Director
Tim Trumper	Non-Executive Director
Kerr Neilson	Non-Executive Director (Executive Director until 31 August 2020)
Andrew Clifford	Chief Executive Officer (CEO) and Managing Director
Elizabeth Norman	Executive Director and Director of Investor Services and Communications
Andrew Stannard	Executive Director and Chief Financial Officer
Michael Cole	Chairman and Non-Executive Director until retirement on 20 November 2020

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).

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 his CEO KPI's (see table on the following page), having regard to the performance of the international fund relative to the index, Mr Clifford did not wish to receive any variable remuneration either in his role as CEO or CIO. Accordingly, although the Nomination and Remuneration Committee had initially intended for Mr Clifford to receive a partial award under the CEO Plan, the Nomination and Remuneration Committee ultimately recommended that Mr Clifford should not receive any variable remuneration awards under the CEO Plan, or under any of the other variable remuneration plans (Investment Team Plan and the Profit Share Plan).

DIRECTORS' REPORT

CONTINUED

Remuneration Report – continued

CEO PLAN: SHORT TERM REMUNERATION

MAXIMUM AWARD: $1M

AWARDED: NIL

KEY PERFORMANCE INDICATORS AND PERFORMANCE

PERFORMANCE MEASURES (EQUALLY WEIGHTED)	FY21 PERFORMANCE AGAINST KPI'S
Revenue and Profit Growth	Average base fee revenue fell by 3.8% (target increase was 10%) Average base fee margins maintained. Adjusted profit (excluding investment income and performance fees) decreased by 7.5% (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, overall growth in client assets was disappointing in 2021. *Overall Assessment: Partially met target*
People and Culture Leadership	Generally well managed investment team cohesion and stability, albeit with one regretted departure. Strong results from staff culture survey. Staff engagement and performance successfully maintained after transition to remote working due to COVID-19. *Overall Assessment: Partially Met target*
Risk Management & Operational Effectiveness	No significant regulatory issues identified in 2021. No significant errors or breaches of investment guidelines. Continued enhancement of risk management framework and corporate governance frameworks. IT infrastructure was strengthened and operational effectiveness maintained. *Overall Assessment: Met target*

The performance measures that will apply for Mr Clifford's 2022 financial year scorecard are as set forth below:

CEO PLAN: SHORT TERM INCENTIVE	KEY PERFORMANCE INDICATORS AND PERFORMANCE	
	PERFORMANCE MEASURES (EQUALLY WEIGHTED)	FY22 KEY PERFORMANCE INDICATORS
	Investment Performance	**Investment performance improvement** Weighted average 1 & 3 year investment performance above benchmark across all portfolios.
	Revenue and Profit Growth	**Base fee revenue and operating profit growth of 10% per annum,** while having due regard to the quality of that growth.
MAXIMUM AWARD: $1M	Diversification of client base	**Diversification of client base** Ongoing diversification of client base from Australia/NZ managed funds and the Australian institutional market.
	People and Culture Leadership	**Investment team cohesion** Ensure strong cohesion and stability within the investment team by attracting, retaining and developing key staff. **Making Platinum a great place to work,** ensuring low turnover across the broader team and the delivery of programs that aim to improve culture.
	Risk Management & Operational Effectiveness	Good corporate reputation maintained. Effective implementation of operational risk policies and procedures. Ongoing regulatory compliance across all applicable jurisdictions with no material breaches or errors. Strengthening of IT and operational infrastructure.

DIRECTORS' REPORT
CONTINUED

Remuneration Report – continued

Managing Director and other KMP Remuneration – continued

Other KMP Remuneration

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 and launch of several important business initiatives during the year including the new Platinum Investment Bond product and fixed cash distribution option for the Platinum Trust® Funds. There was an extensive development of the content and delivery of our communications with both investors and advisers, expansion of client relationships, as well as ongoing work associated with our European and US business development operations.

The variable compensation paid to Andrew Stannard reflected both his role as Chief Operating Officer, his input into various strategic business issues and the provision of technical support for a number of new business development opportunities. Highlights included the delivery of the first phase of a multi-year project to upgrade Platinum's operational effectiveness, the provision of operational support for new onshore and offshore business development, strong cost control, and working with the Board to design and implement a new long term remuneration plan.

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. No awards were made to KMP under the Partners Plan during the financial year. Any future awards made to KMP under the Partners Plan will be subject to shareholder approval at the upcoming AGM.

	CASH SALARY $	OTHER [(1)] $	SUPER-ANNUATION $	SHORT TERM VARIABLE REMUNERATION (CASH) [(2)] $	SHORT TERM VARIABLE REMUNERATION (DEFERRED) [(3)] $	TOTAL $	VARIABLE REMUNERATION AS A % OF TOTAL REMUNERATION [(4)]
2021							
Andrew Clifford	**450,000**	**–**	**21,694**	**–**	**–**	**471,694**	**0%**
Kerr Neilson (until 31/8/20)	**75,000**	**219,178**	**3,616**	**–**	**–**	**297,794**	**0%**
Elizabeth Norman	**425,000**	**–**	**21,694**	**1,000,000**	**500,000**	**1,946,694**	**77%**
Andrew Stannard	**425,000**	**–**	**21,694**	**425,000**	**250,000**	**1,121,694**	**60%**
	1,375,000	**219,178**	**68,698**	**1,425,000**	**750,000**	**3,837,876**	**57%**
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%

(1) "Other" represents a payment for accumulated annual and long service leave entitlements on retirement as an Executive Director in the current year. During previous years, an estimate of the amount was provided for in the consolidated entity's statement of financial position and the annual increase in the provision was included in the table on the following page.

(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 "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.

(4) 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)
2021							
Andrew Clifford	**450,000**	**24,091**	**21,694**	**–**	**237,997**	**733,782**	**32%**
Kerr Neilson (until 31/8/20)	**75,000**	**6,285**	**3,616**	**–**	**–**	**84,901**	**0%**
Elizabeth Norman	**425,000**	**8,758**	**21,694**	**1,000,000**	**409,100**	**1,864,552**	**76%**
Andrew Stannard	**425,000**	**9,594**	**21,694**	**425,000**	**165,401**	**1,046,689**	**56%**
	1,375,000	**48,728**	**68,698**	**1,425,000**	**812,498**	**3,729,924**	**60%**
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%

(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 $237,997 attributable to Andrew Clifford represents the current year portion of the 2018 deferred award of $1,000,000. The accounting valuation of $409,100 attributable to Elizabeth Norman represents the current year portion of the 2021 deferred award of $500,000, the 2020 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 $165,401 attributable to Andrew Stannard represents the current year portion of the 2021 deferred award of $250,000, the 2020 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.

DIRECTORS' REPORT

CONTINUED

Remuneration Report – continued

Remuneration Structure

The following table displays the current Non-Executive Directors and their roles at 30 June 2021:

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

The table below shows how the cash salary remuneration is allocated reflecting their roles at 30 June 2021.

NON-EXECUTIVE DIRECTOR	GUY STRAPP*	MICHAEL COLE**	ANNE LOVERIDGE	STEPHEN MENZIES	BRIGITTE SMITH	TIM TRUMPER	KERR NEILSON***
Board	$230,000	$170,000	$130,000	$130,000	$130,000	$130,000	$130,000
Audit, Risk & Compliance Committee	$15,000	$15,000	$30,000	$15,000	$15,000	$15,000	$15,000
Nomination & Remuneration Committee	$15,000	$15,000	$15,000	$30,000	$15,000	$15,000	$15,000
Total	**$260,000**	**$200,000**	**$175,000**	**$175,000**	**$160,000**	**$160,000**	**$160,000**

* Mr Strapp became a Non-Executive Director on 27 August 2020 and Chairman on 20 November 2020. Having regard to the fact that the Chairman's fee had not changed since listing, following a benchmarking exercise, the Board approved an increase in the Chairman's fee of $60,000 effective from Mr Strapp's appointment as Chairman.

** Mr Cole retired as Chairman and Non-Executive Director on 20 November 2020.

*** Mr Neilson became a Non-Executive Director on 1 September 2020.

Remuneration of Non-Executive Directors

The table below presents actual amounts received by the Non-Executive Directors. The increase in total remuneration is primarily due to the higher number of Non-Executive Directors during 2021.

	CASH SALARY $	SUPER-ANNUATION $	VARIABLE REMUNER-ATION (CASH) $	VARIABLE REMUNER-ATION (DEFERRED) $	TOTAL $
2021					
Guy Strapp (from 27/8/20)	**205,590**	**16,271**	**–**	**–**	**221,861**
Michael Cole (until 20/11/20)	**78,204**	**7,429**	**–**	**–**	**85,633**
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**
Kerr Neilson (from 1/9/20)	**133,333**	**12,667**	**–**	**–**	**146,000**
	1,087,127	**100,017**	**–**	**–**	**1,187,144**
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

Stephen Menzies is Platinum Investment Management Limited's (PIML's) nominee on the Board of the offshore UCITS, Platinum World Portfolios Plc (PWP) and payments are made directly by PWP. Amounts paid in the current year were €24,000 (equivalent to A$37,920) (2020: €24,000 (equivalent to A$40,928)).

DIRECTORS' REPORT

CONTINUED

Remuneration Report – continued

Managing Director and other Senior Executive employment agreements and Non-Executive Directors' services 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 at least twelve months' notice. All other Executive Directors can terminate their appointment by providing at least 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 retired as an employee of Platinum Investment Management Limited (but remained a Director of the Company (albeit a Non-Executive Director)) with effect from 31 August 2020.

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
Guy Strapp (from 27/8/20)	–	22,000	–	22,000
Michael Cole (until 20/11/20)	240,000	–	(240,000)[4]	–
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 356,987 shares and vested, but unexercised, rights equivalent to 113,279 shares, both pursuant to awards made under the Company's deferred remuneration plan.

(3) Andrew Stannard has contingent rights to receive up to 148,813 shares and vested, but unexercised, rights equivalent to 21,552 shares, both pursuant to awards made under the Company's deferred remuneration plan.

(4) Resigned during the year.

DIRECTORS' REPORT

CONTINUED

Remuneration Report – continued

Oversight and Governance

The Board, through its Nomination & Remuneration Committee, provides oversight over all fixed and variable remuneration 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 2021 financial year, the Nomination & Remuneration Committee dealt with the following significant items that relate to remuneration arrangements:

- Introduced the new Partners Plan with initial awards being made under the plan to key investment team members as part of Platinum's broader succession and retention policy;
- Continued to push forward our program of Board renewal, including the appointment of a new Chairman;
- Reviewed and updated the CEO's remuneration arrangements and KPIs;
- Reviewed and recommended to the Board the aggregate 2020/2021 variable remuneration pool for Platinum as well as the individual awards for the CEO, executive directors and senior managers; and
- Approved Platinum's revised diversity and inclusion policy and objectives.

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 publicly 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

OneVue Services Pty Limited is a related party of the former Director Mr Cole. The consolidated entity paid $25,000 (2020: $60,000) to OneVue between 1 July 2020 and 20 November 2020. The services were provided on an arms length basis and Mr Cole was not involved in the decision to utilise OneVue's services.

Shareholders' Approval of the 2020 (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 2020), the Company's Remuneration Report was carried on a poll and received a vote in favour of 95.75%.

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 remuneration outcomes.

	2021	2020	2019	2018	2017
Closing funds under management ($m)	**23,522**	21,385	24,769	25,699	22,713
Average funds under management ($m)	**23,363**	23,749	25,394	26,528	23,443
Net flows ($m)	**(2,255)**	(3,031)	(246)	1,034	(3,565)
Average base management fee (bps p.a.)	**114**	116	116	116	127
Base fee revenue ($m)	**265**	276	295	307	296
Total revenue and other income ($'000)	**316,419**	298,666	299,320	353,290	333,549
Total expenses ($'000)	**82,207**	77,897	76,421	84,966	62,971
Operating profit after tax ($'000)	**163,258**	155,611	158,336	191,594	192,647
Basic earnings per share (cents per share)	**28.17**	26.76	27.03	32.36	31.74
Total dividends (cents per share)	**24**	24	27	32	30
Share price at end of year	**4.91**	3.73	4.85	5.76	4.63
Total aggregate KMP fixed remuneration paid ($)(1)	**2,717,490**	2,854,551	2,808,483	2,510,503	2,558,913
Total aggregate KMP variable remuneration paid ($)(2)(3)	**2,237,498**	1,738,200	1,792,575	4,762,595	1,721,800

(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 FY2021, FY2020 and FY2019 due to the appointment of additional Directors in FY2019 and FY2018.

(2) The increase in 2021 KMP variable remuneration reflected an increase in General Employee Plan awards made to Elizabeth Norman and Andrew Stannard in that year.

(3) 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

TO THE DIRECTORS OF PLATINUM ASSET MANAGEMENT LIMITED

EY
Building a better working world

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As lead auditor for the audit of the financial report of Platinum Asset Management Limited for the financial year ended 30 June 2021, I declare 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 financial year.

Ernst & Young

Ernst & Young

RDaSilva

Rita Da Silva
Partner

25 August 2021
Sydney

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	CONSOLIDATED **2021** **$'000**	 2020 $'000
Revenue			
Management fees		**265,290**	275,902
Performance fees		**3,950**	9,078
Total revenue	3	**269,240**	284,980
Other income			
Interest		**541**	1,707
Distributions and dividends	3	**3,437**	1,855
Share of profit of associates	6	**30,974**	7,426
Gains on financial asset at fair value through profit or loss		**12,955**	1,237
Foreign exchange (losses)/gains on overseas bank accounts		**(728)**	1,461
Total revenue and other income		**316,419**	298,666
Expenses			
Employee expenses			
Salaries and employee related expenses		**44,395**	37,207
Share-based payments	17	**6,413**	6,803
Custody and unit registry		**9,569**	11,274
Business development		**6,025**	6,579
Technology, research and data		**5,247**	5,340
Legal, compliance and other professional		**3,768**	3,998
Depreciation of right-of-use assets	9	**1,926**	1,926
Depreciation of fixed assets	9	**1,272**	1,870
Mail house, periodic reporting and share registry		**1,166**	1,123
Insurance		**1,482**	847
Rent and other occupancy	15	**392**	463
Finance costs on lease liabilities		**197**	239
Other		**355**	228
Total expenses		**82,207**	77,897
Profit before income tax expense		**234,212**	220,769
Income tax expense	7	**70,954**	65,158
Profit after income tax expense		**163,258**	155,611

	NOTE	CONSOLIDATED 2021 $'000	2020 $'000
Other comprehensive income			
Exchange rate translation impact of foreign subsidiaries and associates		**(5,399)**	(1,040)
Other comprehensive income for the year, net of tax		**(5,399)**	(1,040)
Total comprehensive income for the year		**157,859**	154,571

	CENTS	CENTS
Basic earnings per share	**28.17**	26.76
Diluted earnings per share	**28.00**	26.76

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 2021

	NOTE	CONSOLIDATED 2021 $'000	2020 $'000
Assets			
Current assets			
Cash and cash equivalents		**143,277**	105,333
Term deposits		**49,876**	49,876
Trade and other receivables	12	**27,612**	34,682
Total current assets		**220,765**	189,891
Non-current assets			
Equity investments in associates	6	**107,622**	125,019
Financial assets at fair value through profit or loss	10	**44,340**	27,626
Fixed assets	9	**2,777**	4,007
Right-of-use assets	9	**6,767**	8,669
Total non-current assets		**161,506**	165,321
Total assets		**382,271**	355,212
Liabilities			
Current liabilities			
Trade and other payables	14	**6,178**	5,575
Employee benefits	13	**3,920**	3,757
Lease liabilities	15	**1,871**	1,744
Income tax payable		**9,804**	10,825
Total current liabilities		**21,773**	21,901
Non-current liabilities			
Provisions	13	**1,311**	1,009
Employee benefits	13	**718**	628
Lease liabilities	15	**5,239**	7,085
Net deferred tax liabilities	7	**11,206**	5,628
Total non-current liabilities		**18,474**	14,350
Total liabilities		**40,247**	36,251
Net assets		**342,024**	318,961

		CONSOLIDATED	
	NOTE	**2021 $'000**	2020 $'000
Equity			
Issued capital	18	**714,893**	717,998
Reserves	19	**(575,834)**	(572,082)
Retained profits		**202,965**	173,045
Total equity		**342,024**	318,961

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 2021

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2020	**717,998**	**(572,082)**	**173,045**	**318,961**
Profit after income tax expense for the year	–	–	163,258	163,258
Other comprehensive income				
Exchange rate translation impact of foreign subsidiaries and associates	–	(5,399)	–	(5,399)
Total comprehensive income for the year	–	(5,399)	163,258	157,859
Transactions with owners in their capacity as owners:				
Treasury shares acquired (net)(Note 18)	(3,105)	–	–	(3,105)
Share-based payments reserve	–	1,647	–	1,647
Dividends paid	–	–	(133,338)	(133,338)
Balance at 30 June 2021	**714,893**	**(575,834)**	**202,965**	**342,024**

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED PROFITS $'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 and associates	–	(1,040)	–	(1,040)
Total comprehensive income for the year	–	(1,040)	155,611	154,571
Transactions with owners in their capacity as owners:				
Treasury shares acquired (net)(Note 18)	(5,492)	–	–	(5,492)
Share-based payments reserve	–	5,821	–	5,821
Dividends paid	–	–	(157,027)	(157,027)
Balance at 30 June 2020	**717,998**	**(572,082)**	**173,045**	**318,961**

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 2021

		CONSOLIDATED	
	NOTE	**2021 $'000**	2020 $'000
Cash flows from operating activities			
Receipts from operating activities		**276,507**	277,363
Payments for operating activities		**(71,661)**	(68,389)
Finance costs paid		**(197)**	(239)
Income taxes paid		**(64,139)**	(57,903)
Net cash from operating activities	16	**140,510**	150,832
Cash flows from investing activities			
Interest received		**519**	1,920
Proceeds on maturity of term deposits		**117,753**	371,754
Purchase of term deposits		**(117,753)**	(339,753)
Payments for purchases of fixed assets		**(41)**	(2,261)
Receipts from sale of financial assets		**69,532**	66
Payments of purchases of financial assets		**(75,514)**	(26,167)
Proceeds from sale of investments in associates		**42,804**	–
Dividends and distribution received		**3,478**	2,558
Net cash provided by investing activities		**40,778**	8,117
Cash flows from financing activities			
Dividends paid		**(133,337)**	(157,027)
Payments for purchase of treasury shares		**(7,326)**	(8,143)
Payment of lease liability principal		**(1,744)**	(1,855)
Net cash used in financing activities		**(142,407)**	(167,025)
Net decrease in cash and cash equivalents		**38,881**	(8,076)
Cash and cash equivalents at the beginning of the year		**105,333**	112,947
Effects of exchange rate changes on cash and cash equivalents		**(937)**	462
Cash and cash equivalents at the end of the year		**143,277**	105,333

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 1. Corporate information

Platinum Asset Management Limited (the "Company") is a for-profit entity that is incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange (ASX code: PTM). The principal activities of the Company and its subsidiaries (the "Group") are described in note 4 segment information. This financial report was authorised for issue in accordance with a resolution of the Directors on 25 August 2021 and Directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

Basis of preparation

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").

The consolidated financial statements are presented in Australian Dollars, which is also the Company's functional 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 at fair value through profit or loss.

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.

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. In particular, the assessment of whether the Group has significant influence or control of those entities impacts on how their financial results are presented within these financial statements.

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

There are no standards that are not yet effective that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 2. Significant accounting policies – continued

Accounting Standards adopted during the year

There are no standards that are effective for the first time in the current period that have a material impact on the Group.

Note 3. Revenue & other income

The Group derived revenue (management and performance fees) from Australian and offshore investment vehicles and mandates as follows:

	2021 $'000	2020 $'000
Revenue breakdown by geographic region		
Australia	**261,323**	279,520
Offshore: United States, Ireland and Cayman Islands	**7,917**	5,460
	269,240	284,980

	2021 $'000	2020 $'000
Distributions and dividends is comprised of:		
Distribution received from investment in PAXX	**458**	562
Dividend received from investment in PAI	**2,100**	1,200
Dividend received from equity securities held by the Cayman and other seed funds	**861**	82
Distribution received from investment in the Platinum Trust Funds	**18**	11
Total distributions and dividends	**3,437**	1,855

Note 3. Revenue & other income – continued

ACCOUNTING POLICY

Revenue is measured at an amount the Group expect to be entitled to receive in exchange for services provided to clients and recognised as performance obligations to the client are satisfied.

Management fees are recognised over the period the service is provided. Management fees are based on a percentage of portfolio value of the fund or mandate and calculated in accordance with the Investment Management Agreement or Constitution. 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 are a form of variable consideration. Performance fees are recognised as revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Other income is measured at the fair value of the consideration received or receivable and is recognised if it meets the criteria below:

- *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 Group becomes entitled to the income.
- *Dividends:* 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 financial assets held directly by the consolidated investments, and recognised as and when the fair value of these investments changes and if disposed, the proceeds less carrying amount of financial assets disposed.

Note 4. Segment information

The Group is organised into two main operating segments being:

- funds management: through the generation of management and performance fees from Australian investment vehicles, its US-based investment mandates and Platinum World Portfolios Plc. ("PWP") and associated costs; and
- investments and other: through the Group's investment in the (a) ASX listed, Platinum Asia Investments Limited ("PAI") (b) PWP (c) unlisted Platinum Trust Funds (d) the ASX quoted managed fund Platinum Asia Fund (Quoted Managed Hedged Fund) ("PAXX") and (e) other seed 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 2021

Note 4. Segment information – continued

The segment financial results, segment assets and liabilities are disclosed below:

	30 JUNE 2021			30 JUNE 2020		
	FUNDS MANAGEMENT $'000	INVESTMENTS AND OTHER $'000	TOTAL $'000	FUNDS MANAGEMENT $'000	INVESTMENTS AND OTHER $'000	TOTAL $'000
Revenue and other income						
Management and performance fees	269,240	-	269,240	284,980	-	284,980
Interest	288	253	541	482	1,225	1,707
Net gains on financial assets and equity in associates	-	43,929	43,929	-	8,663	8,663
Distributions and dividends	-	3,437	3,437	-	1,855	1,855
Net foreign exchange (losses)/ gains on overseas bank accounts	-	(728)	(728)	-	1,461	1,461
Total revenue and other income	**269,528**	**46,891**	**316,419**	**285,462**	**13,204**	**298,666**
Expenses	82,018	189	82,207	77,506	391	77,897
Profit before income tax expense	**187,510**	**46,702**	**234,212**	**207,956**	**12,813**	**220,769**
Income tax expense	57,607	13,347	70,954	61,699	3,459	65,158
Profit after income tax expense	**129,903**	**33,355**	**163,258**	**146,257**	**9,354**	**155,611**
Other comprehensive income	34	(5,433)	(5,399)	(10)	(1,030)	(1,040)
Total comprehensive income	**129,937**	**27,922**	**157,859**	**146,247**	**8,324**	**154,571**
Total assets	**131,590**	**250,681**	**382,271**	**47,900**	**307,312**	**355,212**
Total liabilities	**31,764**	**8,483**	**40,247**	**33,180**	**3,071**	**36,251**
Net assets	**99,826**	**242,198**	**342,024**	**14,720**	**304,241**	**318,961**

Note 4. Segment information – 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 Executive Directors of the Company, who are responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Group information

The consolidated financial statements of the Group include:

		OWNERSHIP INTEREST	
NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	**2021** %	2020 %
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 GP Pty Limited	Australia	**100**	100
Platinum Arrow Trust*	Australia	**100**	-
Platinum UK Asset Management Limited**	United Kingdom	**100**	100
Platinum Management Malta Limited**	Malta	**100**	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 and Partners Plan (see Note 17 for further details).

* Platinum Arrow Trust started trading on 1 September 2020.

** Platinum UK Asset Management Limited and Platinum Management Malta Limited both act as sales and servicing centres for the Group, predominantly with the objective of generating additional fund inflows into PWP.

*** Dormant entities.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 5. Group information – continued

ACCOUNTING POLICY

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.

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 2021 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.

Note 6. Equity investments in associates

At 30 June 2021, the Group's investment(s) in PAI, PWP and PAXX represent interests in associates which are accounted for using the equity method of accounting. Information relating to this is shown on the next page:

Note 6. Equity investments in associates – continued

a. Interests in associates

ENTITY	COUNTRY OF INCOR-PORATION	EQUITY INTEREST %		FAIR VALUE $'000		CARRYING AMOUNT $'000		REASON FOR ASSESSMENT OF SIGNIFICANT INFLUENCE
		2021	2020	**2021**	2020	**2021**	2020	
PAI	Australia	**8.2**	8.2	**36,900**	30,300	**38,694**	34,549	Ownership interest was 8.2% at 30 June 2021; 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	**16.3**	14.8	**66,324**	64,265	**66,324**	64,265	Ownership interest was 16.3% at 30 June 2021; 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	**1.7**	18.3	**2,604**	26,205	**2,604**	26,205	Ownership interest was 1.7% at 30 June 2021; PIML acts as IM for PAXX and its underlying fund, Platinum Asia Fund. Management has assessed that significant influence remains after the decrease in equity interest.
				105,828	120,770	**107,622**	125,019	

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 6. Equity investments in associates – continued

a. Interests in associates – continued

The fair value of PAI reflects the 30 million shares held multiplied by the PAI closing share price at 30 June 2021 of $1.23 (2020: $1.01).

The fair value of PWP is approximated by the shares held in the sub-funds multiplied by their respective closing share prices at 30 June 2021.

The fair value of PAXX reflects units held multiplied by the PAXX's 30 June 2021 ex-redemption price of $5.05 (2020: $4.71).

The carrying value reflects the Group's share of each associate's net assets, including assessment of any impairment (see Note 6c for further details).

b. Associates' statement of financial position

	TOTAL ASSETS^ $'000	TOTAL LIABILITIES* $'000	NET ASSETS $'000
30 June 2021			
Associates financial position			
PAI	**498,661**	**27,270**	**471,391**
PWP	**447,174**	**610**	**446,564**
PAXX	**180,624**	**26,522**	**154,102**
Total associates' statement of financial position			**1,072,057**
Group's share of associate			
PAI	**40,838**	**2,144**	**38,694**
PWP	**66,461**	**137**	**66,324**
PAXX	**3,052**	**448**	**2,604**
Total Group's share of associate			**107,622**

Note 6. Equity investments in associates – continued

b. Associates' statement of financial position – continued

	TOTAL ASSETS^ $'000	TOTAL LIABILITIES* $'000	NET ASSETS $'000
30 June 2020			
Associates financial position			
PAI	432,120	13,343	418,777
PWP	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			
PAI	35,650	1,101	34,549
PWP	65,034	769	64,265
PAXX	26,758	553	26,205
Total Group's share of associate			125,019

^ All assets held by associates are current assets.

* Associates total liabilities include non-current liabilities of $17,698,000 (2020: $9,236,000).

c. Carrying amount of investment using the equity method

	2021 $'000	2020 $'000
Opening balance	**125,019**	117,593
Sale of PAXX units	**(29,869)**	–
Redemption of PWP units	**(12,935)**	–
Share of associates' profit (see Note 6d)	**33,517**	9,188
Exchange rate translation impact	**(5,567)**	–
Dividends paid and dilution of unitholding (see Note 6d)	**(2,543)**	(1,762)
Closing balance (see Note 6a)	**107,622**	125,019

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 6. Equity investments in associates – continued

d. Associate's net income

	PAI $'000	PWP $'000	PAXX $'000	TOTAL $'000
30 June 2021				
Associates' net income				
Total investment income	115,040	152,174	37,577	304,791
Total expenses	7,313	5,508	–	12,821
Profit/(loss) before tax	107,727	146,666	37,577	291,970
Income tax expense	(31,801)	–	–	(31,801)
Total profit/(loss) after tax	**75,926**	**146,666**	**37,577**	**260,169**
Group's share of associate				
Total investment income	9,445	21,460	6,727	37,632
Total expenses	600	900	–	1,500
Profit/(loss) before tax	8,845	20,560	6,727	36,132
Income tax expense	(2,615)	–	–	(2,615)
Total profit/(loss) after tax	**6,230**	**20,560**	**6,727**	**33,517**
Dividend received and dilution of unitholding	(2,085)	–	(458)	(2,543)
Undistributed profit in the period	**4,145**	**20,560**	**6,269**	**30,974**

Note 6. Equity investments in associates – continued

d. Associate's net income – continued

	PAI $'000	PWP $'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 benefit	(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	(1,202)	1,812	(752)	(142)
Undistributed profit in the period	1,983	2,633	2,810	7,426

NOTES TO THE FINANCIAL STATEMENTS

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Note 6. 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 2021, the consolidated entity was assessed as having significant influence over PAI, PWP and PAXX, as a result of its direct investment and investment management activities and other factors outlined in Note 6a.

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 2021, no impairment was identified for PAI, PWP and PAXX. The carrying amount for PAI is equal to the fair value of PAI's underlying net assets.

Note 7. Income tax

(a) Income tax expense

The income tax expense attributable to profit comprises:

	2021 $'000	2020 $'000
Current tax payable	**63,151**	63,682
Deferred tax	**7,803**	1,476
Income tax expense	**70,954**	65,158
Numerical reconciliation of income tax expense:		
Profit before income tax expense	**234,212**	220,769
Tax at the statutory tax rate of 30%	**70,264**	66,231
Tax effect amounts which are not deductible/ (taxable) in calculating taxable income:		
Tax rate differential on offshore business income	**(855)**	(488)
Non-taxable losses/(gains) on investments	**1,076**	(1,476)
Share-based payments	**389**	334
Other non-deductible expenses	**798**	942
Franking credits received	**(664)**	(385)
Income tax expense	**70,954**	65,158

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

	2021 $'000	2020 $'000
Deferred tax liabilities comprise temporary differences attributable to:		
Unrealised foreign exchange gains on cash	**6**	243
Share-based payments	**4,747**	4,747
Employee provisions	**(1,274)**	(1,618)
Unrealised gains on investments	**8,477**	2,877
Capital expenditure on fixed assets not immediately deductible	**(359)**	(184)
Expense accruals	**(391)**	(437)
Net deferred tax liabilities	**11,206**	5,628

NOTES TO THE FINANCIAL STATEMENTS

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Note 7. Income tax – continued

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

The net deferred tax liability figure is comprised of $2,024,000 (2020: $2,239,000) of deferred tax assets and $13,230,000 (2020: $7,867,000) of deferred tax liabilities.

The deferred tax assets that will be recovered or settled within 12 months are estimated to be $2,003,000 at 30 June 2021 (2020: $2,055,000).

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 and is expected to cease after 30 June 2023.

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.

Note 8. Earnings per share

	2021 $'000	2020 $'000
Profit after income tax attributable to the owners of Platinum Asset Management Limited	**163,258**	155,611

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	**579,542,631**	581,507,729
Adjustment for deferred rights	**3,587,674**	13,929
Weighted average number of ordinary shares used in calculating diluted earnings per share	**583,130,305**	581,521,658

	CENTS	CENTS
Basic earnings per share	**28.17**	26.76
Diluted earnings per share	**28.00**	26.76

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. The weighted average number of ordinary shares used to calculate basic (and diluted) earnings per share does not include treasury shares.

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 potential ordinary shares that have a dilutive impact.

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Note 9. Depreciable assets

	2021 $'000	2020 $'000
Fixed assets - at cost	**6,018**	9,735
Less: Accumulated depreciation	**(3,241)**	(5,728)
	2,777	4,007
Right-of-use asset - at cost	**10,620**	10,595
Less: Accumulated depreciation	**(3,853)**	(1,926)
	6,767	8,669

Reconciliations

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

	FIXED ASSETS $'000	RIGHT-OF-USE ASSET $'000
Balance at 1 July 2019	3,616	-
AASB 16 adjustment on 1 July 2019	-	10,595
Additions	2,261	-
Depreciation expense	(1,870)	(1,926)
Balance at 30 June 2020	4,007	8,669
Additions	42	24
Depreciation expense	(1,272)	(1,926)
Balance at 30 June 2021	2,777	6,767

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 of 2.5 to 8 years using the diminishing balance method.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. 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.

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 10. Financial assets at fair value through profit or loss

	2021 $'000	2020 $'000
Platinum Trust Fund investments	**220**	184
Equity securities held by the seeded investments	**44,120**	27,442
	44,340	27,626

ACCOUNTING POLICY

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the consolidated entity's process for managing them. The consolidated entity's 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 11. 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 2021, the investments 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, PWP would be classified as level 2 whilst PAI and PAXX would be classified as level 1. Further details of the fair value of investments in associates is provided in note 6.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 11. Fair value measurement – continued

Fair value hierarchy – continued

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 2021 and 30 June 2020.

2021	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Assets				
Equity securities held by wholly owned seed funds	**43,649**	**211**	**260**	**44,120**
Platinum Trust Fund investments	**–**	**220**	**–**	**220**
	43,649	**431**	**260**	**44,340**

2020	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Assets				
Equity securities held by wholly owned seed funds	27,442	–	–	27,442
Platinum Trust Fund investments	–	184	–	184
	27,442	184	–	27,626

Valuation techniques used to classify assets as level 2

The 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.

Valuation techniques used to classify assets as level 3

Unlisted investments held by wholly owned seed funds are classified as level 3. These assets are valued in accordance with a valuation policy established by PIML as the investment manager. Level 3 assets were 0.1% of net assets at 30 June 2021 (2020: 0%).

Note 12. Trade and other receivables

	2021 $'000	2020 $'000
Management fees receivable	**24,892**	23,047
Performance fees receivable	**128**	9,042
Prepayments	**1,902**	1,914
Distribution receivable from PAXX and Platinum Trust Funds	**476**	573
Sundry debtors	**214**	106
	27,612	34,682

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

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 2021

Note 13. Provisions & employee benefits

	2021 $'000	2020 $'000
Current liabilities		
Annual leave	**2,220**	1,826
Long service leave	**1,700**	1,931
	3,920	3,757
Non-current liabilities		
Long service leave	**718**	628
Provision for payroll tax on Deferred Remuneration Plan	**1,311**	1,009
	2,029	1,637

ACCOUNTING POLICY

Employee benefit liabilities represents accrued 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 14. Trade and other payables

	2021 $'000	2020 $'000
Trade payable	**3,934**	3,830
GST payable	**2,244**	1,745
	6,178	5,575

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 15. Leases

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

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021 $'000	2020 $'000
Balance at 1 July	**8,829**	–
AASB 16 adjustment on 1 July	**–**	10,444
Payments	**(1,916)**	(1,854)
Accretion of interest	**197**	239
Balance at 30 June	**7,110**	8,829
Current	**1,871**	1,744
Non-current	**5,239**	7,085

The following amounts are recognised in the statement of profit or loss in respect of leases:

	30 JUNE 2021 $'000	30 JUNE 2020 $'000
Rent and other occupancy	**392**	463
Depreciation of right of use asset	**1,926**	1,926
Finance costs on lease liabilities	**197**	239
	2,515	2,628

Future minimum rentals payable under short-term leases are as follows:

	30 JUNE 2021 $'000	30 JUNE 2020 $'000
Within one year	**96**	89

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 15. Leases – continued

ACCOUNTING POLICY

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. 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.

The lease payments for short-term leases are be charged to the consolidated statement of profit or loss and other comprehensive income.

Note 16. Reconciliation of profit after income tax to net cash from operating activities

	2021 $'000	2020 $'000
Profit after income tax expense for the year	**163,258**	155,611
Adjustments for:		
Share-based payments expense	**6,413**	6,803
Foreign exchange differences on foreign bank account	**728**	(462)
Distributions and dividends received	**(3,437)**	(1,855)
Depreciation of fixed assets	**1,272**	1,870
Depreciation of right-of-use asset	**1,926**	1,926
Interest income	**(541)**	(1,707)
Gain on investments	**(43,929)**	(8,664)
Movement in operating assets and liabilities:		
Movement in trade and other receivables	**7,070**	(7,716)
Movement in income tax payable	**(1,021)**	5,743
Movement in trade and other payables	**413**	(2,218)
Movement in deferred tax assets	**215**	77
Movement in deferred tax liabilities	**7,588**	1,399
Movement in provisions	**555**	25
Net cash from operating activities	**140,510**	150,832

Note 17. Share based payments

Deferred Remuneration Plan

In June 2016, a "Deferred Bonus Plan" (now known as a "Deferred Remuneration Plan" or "DRP") 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.

Vesting is conditional on continuous employment for a period of four years from the date of grant. 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.

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 the Company's shares on market and will hold these shares until the vesting date (four years from each grant) and subsequent exercise.

	NUMBER OF DEFERRED RIGHTS	
	2021 $'000	2020 $'000
Opening balance	**7,115,680**	5,095,797
Granted during the year	**1,810,880**	2,341,845
Forfeited during the year	**(1,682,250)**	(34,233)
Vested, exercised and then transferred to eligible employees	**(271,171)**	(287,729)
Closing balance	**6,973,139**	**7,115,680**
Exercisable at the end of the period	**734,408**	352,516

Long-Term Remuneration Plan

Whilst the Nomination & Remuneration Committee approved the new Platinum Partners Long Term Incentive Plan ("Partners Plan") in July 2021, services were received from employees from date of communication during the year ended 30 June 2021. The objective of the Partners Plan is to directly align employees' compensation with shareholder value creation, foster sustainable growth, sound financial, operational and risk management practices, and to retain key talent.

NOTES TO THE FINANCIAL STATEMENTS

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Note 17. Share based payments – continued

Long-Term Remuneration Plan – continued

The vesting of the deferred rights is conditional upon the Company meeting minimum Total Shareholder Return ("TSR") performance hurdles as set forth in the table below ("TSR Hurdle"). Each award that is granted, is divided into four tranches, with one quarter of the award being tested against the TSR Hurdle at the end of each year following the award grant date ("Performance Period"), for four years. The start price for the TSR Hurdle calculation will be the VWAP at which PTM shares were traded on the ASX over the seven trading days prior to the first trading day of the relevant Performance Period, and the end price will be the VWAP at which PTM shares were traded on the ASX over the seven trading days up to and including the last trading day of the relevant Performance Period. The number of PTM shares that an employee will be entitled to receive upon exercise of a deferred right within a tranche, will depend on the annualised TSR achieved by the Company during the relevant Performance Period (see table below). If the minimum TSR Hurdle (i.e. 7.5%) for a Performance Period is not met, then that tranche of deferred rights will not meet the vesting condition and will be forfeited.

AWARD PERFORMANCE PERIOD	PROPORTION OF AWARD THAT IS TESTED AGAINST THE HURDLE	HURDLE
Year 1	25%	1 Year TSR
Year 2	25%	2 Year annualised TSR
Year 3	25%	3 Year annualised TSR
Year 4	25%	4 Year annualised TSR

TSR HURDLE (VESTING CONDITION)	ENTITLEMENT TO RESULTING PTM SHARES PER DEFERRED RIGHT
TSR < 7.5%	Nil
TSR between 7.5% and 10% (target)	Between 0.75 and 1 (on a pro-rata straight line basis)
TSR between 10% and 15%	Between 1 and 2 (on a pro-rata straight line basis)
TSR at or above 15%	2

The exercise of deferred rights that have vested (i.e. those deferred rights that have met or exceeded the TSR Hurdle for a Performance Period) is also subject to an eight year continuous service condition.

Note 17. Share based payments – continued

Long-Term Remuneration Plan – continued

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 carry an entitlement to an alternative dividend equivalent payment. This entitlement arises once a tranche of an award meets its TSR Hurdle for a Performance Period and continues until the corresponding deferred rights are exercised ("Holding Period"). During the Holding Period, an eligible employee will receive an amount approximately equal to the amount of dividends that would have been paid to the employee had they held the relevant resultant number of shares from the date the TSR Hurdle was met.

In the current year, the total fair value of rights arising from the June 2021 allocation awards was $27,568,379 (2020: $0), which was based on the 8,229,367 additional rights (2020: 0) granted. The fair value of rights was estimated at $3.35 based on the share price at grant date of $4.36 adjusted for the fair value of dividends forfeited and graded vesting based on the TSR Hurdle. The fair value was estimated using a Monte Carlo model with expected volatility of 35%, expected dividend yield of 5.2% and risk free rate of 0.01%.

Expenses Arising from Share-Based Payment Transactions (DRP & Partner Plan)

ACCOUNTING EXPENSE	**2021 $'000**	2020 $'000
Deferred rights granted in 2021: Partners Plan	**2,665**	–
Deferred rights granted in 2021: DRP	**1,442**	–
Deferred rights granted in 2020: DRP	**925**	1,520
Deferred rights granted in 2019: DRP	**566**	1,267
Deferred rights granted in 2018: DRP	**736**	2,131
Deferred rights granted in 2017: DRP	**79**	831
Deferred rights granted in 2016: DRP	**–**	1,054
Total share-based payments expense	**6,413**	6,803
Associated payroll tax expense	**366**	371
Total	**6,779**	7,174

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 17. Share based payments – continued

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 share-based payment expense, 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 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 18. Issued capital

	2021 SHARES	2020 SHARES	**2021 $'000**	2020 $'000
Ordinary shares - fully paid (a)	**586,678,900**	586,678,900	**751,355**	751,355
Treasury shares (b)	**(8,018,094)**	(6,687,403)	**(36,462)**	(33,357)
Total issued capital	**578,660,806**	579,991,497	**714,893**	717,998

(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 17). 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:

	2021 SHARES	2020 SHARES	**2021 $'000**	2020 $'000
Opening balance	**6,687,403**	5,095,797	**33,357**	27,865
Shares acquired by the Employee Share Trust	**1,779,817**	1,879,335	**7,326**	7,105
Shares transferred to employees	**(449,126)**	(287,729)	**(4,221)**	(1,613)
Balance at the end of the financial year	**8,018,094**	6,687,403	**36,462**	33,357

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.

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30 JUNE 2021

Note 19. Reserves

	2021 $'000	2020 $'000
Foreign currency translation reserve	**(6,334)**	(935)
Capital reserve	**(588,144)**	(588,144)
Share-based payments reserve	**18,644**	16,997
	(575,834)	(572,082)

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities and associates are recognised in other comprehensive income and accumulated as a separate reserve within equity. The movement in the current year relates primarily to translating the net assets of PWP 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 PIML 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 PIML. 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.

Note 19. 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 2019	11,176	105	(588,144)	(576,863)
Exchange rate translation impact	–	(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)
Exchange rate translation impact	–	(5,399)	–	(5,399)
Movement in share-based payments reserve	1,647	–	–	1,647
Balance at 30 June 2021	18,644	(6,334)	(588,144)	(575,834)

Note 20. Dividend made and proposed

Dividends paid

Dividends paid during the financial year were as follows:

	2021 $'000	2020 $'000
Final dividend paid for the 2020 financial year (11 cents per share)	**63,799**	–
Interim dividend paid for the 2021 financial year (12 cents per share)	**69,538**	–
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
	133,337	157,027

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Note 20 Dividend made and proposed – continued

Dividends not recognised at year-end

Since 30 June 2021, the Directors declared to pay a 2021 final fully franked dividend of 12 cents per share, payable out of profits for the 12 months to 30 June 2021. The dividend has not been provided for at 30 June 2021, because the dividend was declared after year-end.

Franking credits

	2021 $'000	2020 $'000
Franking credits available at reporting date based on a tax rate of 30%	**61,767**	54,583
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%	**9,029**	10,431
Franking credits available for subsequent financial years based on a tax rate of 30%	**70,796**	65,014

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 21. Financial risk management

Financial risk management objectives

The Group'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:

- PAI, PWP and PAXX; and
- Equity and other securities held by the seeded investments, being the offshore Cayman Island domiciled funds Platinum Global Opportunities Fund Ltd and Platinum Asia Ex-Japan Opportunities Fund Ltd (the "Cayman Funds") and other seed 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, Platinum International Fund (Quoted Managed Hedge Fund) ("PIXX") and PAXX;
- its ASX-listed investment companies, Platinum Capital Limited ("PMC") and PAI; and
- PWP.

The Group 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 Group.

Note 21. Financial risk management – continued

Financial risk management objectives – continued

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

Market risk

The key direct risks associated with the Group 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 share fees and performance fees earned by the Group. Historically, the amount of performance fees earned by the Group 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 Group, if the investment return of a Platinum Trust Fund, PMC, PAI, PWP 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 2021, performance fees of $127,517 (2020: $9,042,000) were receivable.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 21. Financial risk management – continued

Market risk – continued

If global equity markets fell 10% over the course of the year and consequently the Group'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.

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 Group's financial instruments held at 30 June 2021.

Foreign currency risk

The Group 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 in PWP, PAI, PAXX, Cayman Funds and other seed funds and receivables/ payables dominated in USD.

The following tables demonstrate the sensitivity to a reasonably possible change in USD and HKD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of financial assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

Note 21. Financial risk management – continued

Foreign currency risk – continued

FINANCIAL ASSETS AND LIABILITIES	IMPACT ON NET PROFIT BEFORE TAX OF 10% INCREASE/(DECREASE) IN AUSTRALIAN DOLLAR USD $'000 INCREASE/(DECREASE) **30 JUNE 2021**	USD $'000 INCREASE/(DECREASE) 30 JUNE 2020	HKD $'000 INCREASE/(DECREASE) **30 JUNE 2021**	HKD $'000 INCREASE/(DECREASE) 30 JUNE 2020
Cash and cash equivalents	**(725)/(886)**	(1,340)/1,637	**–**	–
Investments in:				
PAXX	**(237)/289**	(2,382)/2,912	**–**	–
PWP	**(6,029)/7,369**	(5,842)/7,140	**–**	–
PAI	**–**	–	**(3,355)/4,100**	(2,518)/3,077
Equity securities held by the seeded investments	**(4,012)/4,904**	(2,755)/3,367	**–**	–
Platinum Trust Funds	**(20)/24**	(17)/21	**–**	–
Receivables	**(40)/49**	(299)/365	**–**	–
Payables	**30/(37)**	11/(14)	**–**	–

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$752,202 lower/A$846,683 higher (2020: A$759,713 lower/A$928,511 higher).

Price risk

At 30 June 2021, the Group is exposed to indirect price risk through its equity-accounted investments in PAI, PWP, PAXX, Platinum Trust Funds and equity securities held by seeded investments. The impact of price risk is summarised in the table below:

ENTITY	IMPACT ON NET PROFIT BEFORE TAX OF 10% INCREASE/(DECREASE) IN 30 JUNE NET ASSET VALUES **2021 $'000 INCREASE/(DECREASE)**	2020 $'000 INCREASE/(DECREASE)
PAI	**3,869/(3,869)**	3,455/(3,455)
PWP	**6,632/(6,632)**	6,427/(6,427)
PAXX	**260/(260)**	2,620/(2,620)
Equity securities held by seeded investments	**4,411/(4,411)**	3,030/(3,030)
Platinum Trust Funds	**2/(2)**	1/(1)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 21. Financial risk management – continued

Price risk – continued

Interest rate risk

At 30 June 2021, cash and term deposits are the only significant assets with potential exposure to interest rate risk held by the Group . A movement of +/-1% in Australian interest rates occurring throughout the year ended 30 June 2021 would cause the Group's net profit before tax to be $1,432,769 higher/lower (2020: $1,053,334 higher/lower), based on the impact on its interest-bearing cash balances. An interest rate movement at 30 June 2021 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 Group (typically "non-equity" financial instruments). Credit risk arises from the financial assets of the Group 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 Group other than through the ensuing reduction in FUM, as noted above in the section on "market risk".

The credit quality of cash and term deposits held by each entity in the Group, by counterparty, can be assessed by reference to the counterparty's external credit ratings. All term deposits are held with Australian banks that have a credit rating of AA- (2020: AA-) or higher. At 30 June 2021 and 30 June 2020, the relevant credit ratings were as follows:

RATINGS	**2021 $'000**	2020 $'000
AA-	**185,342**	151,636
A+	**6,955**	2,910
A	**856**	663
	193,153	155,209

Note 21. Financial risk management – continued

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its liabilities. The Group 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 Group'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.

2021	AT CALL $'000	WITHIN 30 DAYS $'000	BETWEEN 1 AND 3 MONTHS $'000	OVER 3 MONTHS $'000	TOTAL $'000
Trade and other payables	**–**	**6,178**	**–**	**–**	**6,178**
Lease liabilities	**–**	**165**	**331**	**6,929**	**7,425**
Total	**–**	**6,343**	**331**	**6,929**	**13,603**

2020	AT CALL $'000	WITHIN 30 DAYS $'000	BETWEEN 1 AND 3 MONTHS $'000	OVER 3 MONTHS $'000	TOTAL $'000
Trade and other payables	–	5,575	–	–	5,575
Lease liabilities	–	159	477	8,704	9,340
Total	–	5,734	477	8,704	14,915

Financial liabilities at fair value through profit or loss

The Group had no financial liabilities at fair value through profit or loss at 30 June 2021 or 30 June 2020.The Group 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 21. Financial risk management – continued

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.

Note 22. Related party transactions

Subsidiaries and associates

Interests in subsidiaries and associates are set out in Note 5 and Note 6.

Key management personnel

Disclosures relating to key management personnel are set out in Note 23 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, PWP;

(iii) two ASX-listed investment companies, PMC and PAI;

(iv) two ASX quoted managed funds, PIXX and PAXX; and

(v) the Cayman Funds.

Note 22. Related party transactions – continued

Tax consolidation and dividend 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, PWP, PMC and PAI. The Group 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 Group. The total related party fees and receivables were as follows:

	2021 $	2020 $
Recognised in the statement of profit or loss and other comprehensive income	**219,609,966**	234,373,871
Receivable in the statement of financial position	**19,031,105**	24,910,151

Investment transactions

During the year, the subsidiary PIML received a final 2021 fully franked dividend of $900,000 (2020: $600,000) and an interim 2021 fully franked dividend of $1,200,000 (2020: $600,000) from its investment in PAI.

PIML also received the 30 June 2021 distribution of $457,686 (2020: $561,997) from PAXX and $17,862 from the Platinum Trust Funds (2020: $10,980).

During the year, PIML invested $10,000,000 into the Platinum Arrow Trust.

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 Nil (2020: $11,042).

PIML incurred a fee of $2,537,378 (2020: $2,530,695) for general marketing and distribution services provided by Platinum UK Asset Management Limited. PIML incurred a fee of $62,755 (2020: $0) for general marketing and distribution services provided by Platinum Management Malta Limited.

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 $4,600,000 (2020: $8,710,000).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 23. Key management personnel

The aggregate remuneration that the Group provided to Executive and Non-Executive Directors was as follows:

	2021 $'000	2020 $'000
Cash salary, Directors' fees and short-term incentive cash awards	**3,887**	3,745
Accounting expense related to the KMP allocation under the Deferred Remuneration Plan^	**812**	613
Superannuation	**169**	167
Increase in the Group's annual and long service leave provision	**49**	27
	4,917	4,552

^ 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:

	2021 GRANT (UN-VESTED)	2020 GRANT (UN-VESTED)	2019 GRANT (UN-VESTED)	2018 GRANT (UN-VESTED)	2017 GRANT (VESTED)	2016 GRANT (VESTED)	TOTAL
Number of rights allocated to KMP during the year	153,462	160,859	108,696	248,346	86,208	48,623	806,194
Accounting expense attributed to KMP	$130,500	$104,400	$99,000	$356,998	$121,600	–	$812,498

Note 23. Key management personnel – continued

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 (until 20/11/20)	240,000	–	(240,000)*	–
Guy Strapp (from 27/8/20)	–	22,000	–	22,000
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	–	–	–	–

* Resigned during the year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

Note 24. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Company, Ernst & Young Australia ("EY")(2020: PricewaterhouseCoopers Australia ("PwC")), and its overseas network firms as indicated below:

	AUDITOR	**2021 $**	2020 $
Audit services			
Audit and review of the financial statements and AFSL audit	EY	**156,000**	–
Audit and review of the financial statements and AFSL audit	PwC	**–**	121,125
Audit of financial statements	Overseas EY	**6,325**	–
Audit services for managed funds that PIML acts as responsible entity			
Audit and review of the financial statements and compliance plan audit	PwC	**–**	237,660
Audit of financial statements	Overseas PwC	**–**	58,259
Total audit and review of financial statements		**162,325**	417,044
Compliance and assurance services			
Compliance and assurance services	PwC	**–**	108,591
Total audit, compliance and assurance services		**162,325**	525,635
Taxation services			
Compliance services	EY	**50,750**	–
Compliance services	Overseas EY	**1,227**	
Compliance services	PwC	**–**	205,639
Taxation services for managed funds for which PIML acts as responsible entity			
Fund distribution compliance services	PwC	**–**	350,130
Other taxation services	PwC	**–**	67,408
Taxation services			
Foreign tax agent fees	Overseas PwC	**–**	114,962
Total taxation services		**51,977**	738,139
Other services			
Other services	EY	**7,500**	–
Other services	PwC & Overseas PwC	**–**	108,355
Total other services		**7,500**	108,355
Total fees paid and payable to the auditors and their related practices		**221,802**	1,372,129

Note 25. Parent entity information

Set out below is supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	PARENT	
	2021 $'000	2020 $'000
Profit after income tax	**134,936**	158,096
Total comprehensive income	**134,936**	158,096

Statement of financial position

	PARENT	
	2021 $'000	2020 $'000
Total current assets	**126,250**	126,232
Total assets	**756,738**	756,720
Total current liabilities	**9,023**	10,431
Total liabilities	**9,023**	10,431
Net assets	**747,715**	746,289
Equity		
Issued capital	**714,893**	717,998
Reserves	**31,481**	26,950
Retained profits	**1,341**	1,341
Total equity	**747,715**	746,289

ACCOUNTING POLICY

The accounting policies of the parent entity are consistent with those of the consolidated entity except for the following:

- Investments in subsidiaries are accounted for at cost in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Note 26. Events after the reporting period

Apart from the dividend declared on 25 August 2021, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

30 JUNE 2021

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 2021 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

Guy Strapp
Chairperson

Andrew Clifford
Director

25 August 2021
Sydney

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Platinum Asset Management Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

Building a better working world

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 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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

EY
Building a better working world

Revenue recognition of management and performance fees

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
The Group's key revenue streams are management and performance fees earned by Platinum Investment Management Limited (PIML), a consolidated subsidiary, through the Investment Management Agreements in place with Platinum Funds and other investment vehicles. For the year ended 30 June 2021, management fees were $265,290,000 and performance fees were $3,950,000, which made up of 84% and 1% of total revenue and other income respectively. Due to the quantum of these revenue streams and the impact that the variability of market-based returns can have on the recognition and earning of performance fees, this was considered a key audit matter. Disclosures relating to these revenue streams are included in Note 3 to the financial report.	Our procedures included: – Recalculating management fees, on a sample basis, in accordance with contractual arrangements; – Assessing the performance fees recognised for the period to 30 June 2021 from investments vehicles on a sample basis, and assessing whether they met the relevant revenue recognition criteria. This included assessing the inputs into the calculation model and examining the methodology applied in accordance with contractual arrangements; and – Assessing the adequacy of the disclosures in Note 3 to the financial report in accordance with Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

Building a better working world

Accounting for investments in associates

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Investments may be accounted for by consolidation, equity accounting, joint venture or as investments at fair value. The determination of the appropriate accounting depends upon the ability of the Group to exercise control or significant influence. The Group's investments in associates where significant influence was deemed to be present as at 30 June 2021 was $107,622,000. This matter was considered a key audit matter as judgement is required in determining the appropriate accounting, particularly due to the Group's practice of seeding investment products, resulting in ownership percentages changing over time. Disclosures relating to investments in associates are included in Note 6 to the financial report.	Our procedures included: – Evaluating the Group's assessment of control or significant influence for each investment vehicle, and accounting treatment and presentation thereon; – Performing independent assessment of control or significant influence over the associate investments with consideration to: • Equity ownership • Representation on the Board of the directors of the investee • Participation and ability for the Group to influence decision making of the investee • Material transactions between the Group and the investee – Obtaining external supporting evidence of the Group's ownership interest in the investees, recalculated the carrying amount by agreeing inputs such as net asset value and share prices of the investees, and assessing for any impairment based on evidence obtained; – Assessing the adequacy of the disclosures in Note 6 to the financial report in accordance with Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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, 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.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

EY
Building a better working world

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

Building a better working world

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 52 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Platinum Asset Management Limited for the year ended 30 June 2021, 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 the *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.

Ernst & Young

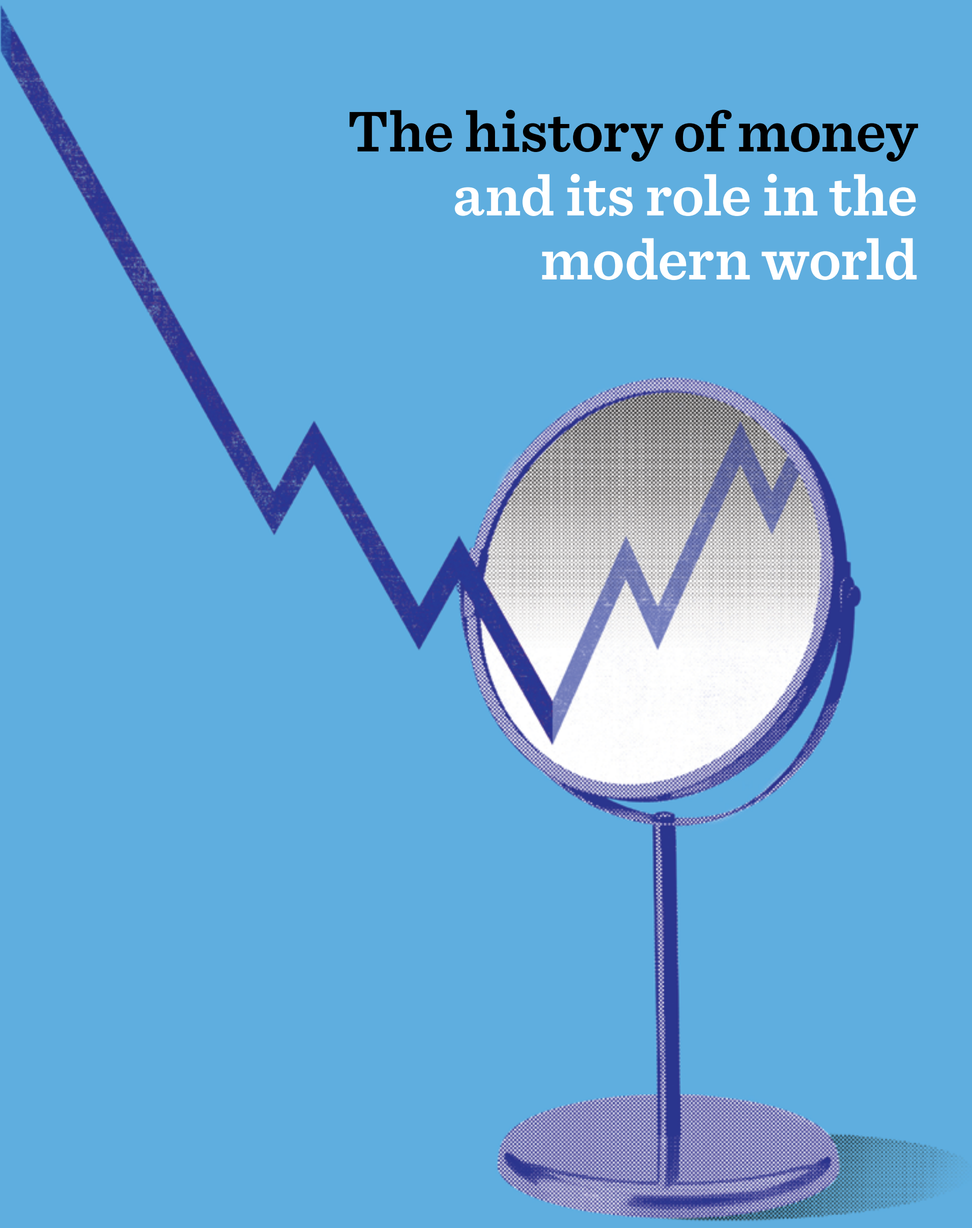
Ernst & Young

R Da Silva

Rita Da Silva
Partner

25 August 2021
Sydney

The history of money and its role in the modern world



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Article
The history of money
and its role in the modern world
By Julian McCormack
Investment Specialist,
Platinum Asset Management

Artwork by
Edmon de Haro
www.marlenaagency.com

"Money is the most universal and most efficient system of mutual trust ever devised."

Yuval Hariri

Preface

The last 18 months have certainly been a testing time. The global pandemic has forced us to adjust our lives in ways we never imagined or thought possible. We have endured lockdowns as well as restrictions on family visits, social gatherings, exercise and holidays, not to mention the devastating health impact and tragic loss of life.

We have for the most part adapted, shifting our work (where possible) and shopping online, 'Zooming' our friends and family, and keeping the dream alive of our next vacation. When able to venture out, we have kept our obligatory 1.5 metres distance and shunned cold hard 'dirty' cash in favour of 'tap and go'.

Yet, money in many respects has become more important than ever.

At an individual level, the 'value' of money has undoubtedly increased, as many employees were stood down and struggled to pay their mortgage, rent, utilities and groceries. At a broader public level, the value of money has, however, been somewhat distorted after governments around the world collectively spent an unfathomable amount to protect their populations and rescue their economies. With debts racking up into the trillions of dollars, funded largely by central banks, and no hope of paying it off anytime soon, the mind boggles. It is difficult to put a value on protecting humanity.

We are now seeing the impact of all this 'money printing' in rising inflation, with a strong rebound in economic activity fuelling a surge in commodity, house and share prices. With the service sector effectively 'closed for business' at various stages during the pandemic, as we were unable to travel and dine out, there has been strong demand for manufactured goods, as we improved our homes, beefed up our technology and curiously, purchased more cars.

The strong demand, coupled with a temporary shut-down in manufacturing in 2020, has caused prices for some consumer goods to soar to decade highs. Used car and truck prices, for example, rose 45% in the US in the 12 months to June 2021, reflecting increased demand and supply constraints, such as the global semiconductor shortage.[1]

As vaccination rates increase and more economies reopen, we expect this recovery to gain momentum, particularly as employment grows, confidence returns and consumers draw down on their accumulated savings. Those who were able, chose to hold onto the generous government payments last year, sending savings rates to record high levels of over 30% in the US and 20% in Australia in 2020.[2]

1 Source: Federal Reserve Bank of St Louis.
2 Source: Federal Reserve Bank of St Louis; Reserve Bank of Australia.

These savings are now making their way back into the economy as consumers unleash pent-up demand. As this 'velocity of money' increases (i.e. how often money is spent in the economy), inflation usually follows.

Higher inflation should theoretically translate to higher bond yields. However, at the time of writing, after a brief spike to 1.7% p.a. in March 2021, yields on US 10-year Treasuries continue to hover below 1.3% p.a. - as the market seems to accept the premise that the rise in inflation will be 'transitory'. [3] There is always a danger in consensus thinking. We aren't in the business of forecasting economic variables, however, we believe there is a risk that price rises will be more long-lasting than what is currently priced in by the markets, which may see central banks increase official interest rates much earlier than expected.

Such extraordinary levels of money creation and signs of significant inflation (after a long absence) begs the question of the role and value of money in society. We place enormous trust in the value of money when we transact.

In our feature article, Investment Specialist Julian McCormack delves into the origins of money over many centuries - from 'barter' and debt, to metal-backed currencies, fiat currencies and the rise of the US dollar.

> **It's a fascinating look at history and makes one realise just how the form and function of money has shifted over time – often driven by political and economic motivations of governments. Central banks have also played a role, notably their various interest rate policies and bond-buying activities.**

Reflecting on the past provides a valuable perspective on current events. With inflation creeping up and extraordinarily large budget deficits that need to be funded at some point, we suspect that change is afoot.

A low interest rate environment has been the primary driver of asset markets in recent years, a change in that scenario could have significant implications for equities, particularly high growth stocks, which have been a major beneficiary of this trend.

Andrew Clifford,
Chief Executive Officer & Co-Chief Investment Officer,
Platinum Asset Management
August 2021

3 Source: FactSet Research Systems.

In recent years, we have stretched the limits of any traditional understanding of money via radical policies, such as negative interest rates, quantitative easing and yield curve control. As the global financial crisis (GFC) saw the re-writing of the monetary policy rule book, so the COVID-19 crisis saw the abandonment of any pretence of 'fiscal rectitude' in every major economy.

The history of money and its role in the modern world

By Julian McCormack

In the rebound from the COVID-induced disruption, inflation and nominal growth have risen sharply and debate has raged about the transience of the inflationary surge.

As we explored in last year's annual report, the defining characteristic of populists is that they spend money.[1] Now, in order to grapple with the question of incipient inflation, we must grapple with defining money itself.

Money is a social institution whose rules are more like religious edicts than physical laws. There is nothing definite about money, save our understanding that it has value and our trust in that value's persistence. Money is in essence a story – and that story is changing.

In this article, we will briefly examine the history of money and demonstrate that its form and purpose have shifted over time. Our contention is that another shift is underway in the function and nature of money at present – with central banks now effectively providing infinite funding, which is being married to fiscal spending after 40 years of austerity – a shift we examine briefly toward the article's close.

THE BARTER MYTH

A typical history of money usually starts with a story of a world of barter transactions transformed into a world of money-based transactions.[2] This is almost certainly wrong. Credit is, by an enormous margin, more common than barter in every recorded traditional society.

> **It is vanishingly rare that any sociologist or anthropologist has recorded an instance of barter as a form of exchange – we repeat – *this has almost never been recorded.***

Vastly more common is the building of 'debt' and its expunging via social obligation. "I'll scratch your back if you scratch mine." Or "I'll give you these eggs, if at some time in the future you help me erect a barn".[3]

This may be confused for barter – but note the creation of obligations that persist through time, not the discrete, instantaneous exchanges of value described in economics text books as barter.

MONEY AS CONGEALED TRUST

All societies are based on trust to some degree. Historically, we developed money not to replace barter, but to replace trust. Once dealing with large-scale societies and members of different social groupings, a unit of exchange becomes necessary. Historically, this did not tend to emerge until large numbers of people moved through areas in which they were strangers – particularly as soldiers.

Having been rewarded with plunder, how might a soldier transport the value of their loot home? Coins help, particularly when the coins themselves are made from precious metals – especially metal recently liberated from its former owners.

> Throughout the history of Europe and Asia, in periods of relative peace, credit-based systems of commerce predominate; in periods of war and generalised violence, coin-based systems predominate.[4]

Precious metal coins evolved as money in order to substitute for prior exchanges of value based on trust and reciprocity.

"Money is the most universal and most efficient system of mutual trust ever devised... Money isn't a material reality – it is a psychological construct... But why does it succeed? People are willing to do such things when they trust the figments of their collective imagination. Trust is the raw material from which all types of money are minted."[5]

MONEY WAS RARELY A STATE-BACKED MONOPOLY UNTIL RECENTLY

For most of its history, money has comprised varied mediums of exchange with different issuers whose coins and notes were in mixed circulation across multiple jurisdictions. In antiquity, the value of coinage was based on the content of the metal it was composed of, meaning that a Persian coin, such as a Daric, was readily usable in ancient Greece, as the purity of the metal content was generally accepted.[6]

Ancient merchants issued certificates of deposit, which could be transferred to third parties in different states. These were specific and contractual, rather than general bearer receipts representing specific, repeated, face-values in coin or equivalent value.[7]

The first genuine 'paper money' was developed by the Chinese, and again, it was not originally a state monopoly system.[8] In 9th century China, 'exchange notes' were developed – these were negotiable certificates dubbed 'flying money'. These precursors of banknotes were widespread in China by the early 11th century.[9]

Later, in Europe, banknotes – literal IOUs claimable against an individual bank or depositor at a bank – were in common circulation alongside centrally issued notes and coins for centuries. In more modern times, the acceptance of Spanish silver coins was so widespread in the United States in its early years, that its more important forms were recognised as legal tender.

> The dollar sign '$' derives from the superimposition of a 'P' and an 'S', which was a symbol for peso. Spanish coins remained in circulation until the middle of the 19th century in the US.[10] There was no monopoly on the issue of currency within nation states until relatively recently.[11]

CENTRAL BANKS EMERGED SPECIFICALLY TO FINANCE GOVERNMENTS, ESPECIALLY THEIR WARS

The foundation of the central bank *par excellence*, the Bank of England, occurred in 1694, when the Bank was established to assist William III in funding his ongoing war with France. The Bank was private, with King William III and Queen Mary among its original stockholders, and was granted a royal charter enabling it to issue bank notes and act as a banker to the government.

This was necessary largely because of the strength of Parliament, which had responsibility for issuing supply bills since the 15th century and whose power had been increased by the Glorious Revolution of 1688-89, which installed William III and Queen Mary.

The foundation of one of the world's early[12] and preeminent central banks was necessary as a result of Parliament's intentional underfunding of a war.[13] The Bank of England was private and existed alongside other banks, each issuing their own currency in the form of bank notes.

THE GOLD STANDARD WAS AN ACCIDENT

It was only by mistake that multi-metallism and bimetallism slipped into gold-only backing for currency. Prior to the late 17th century, the Royal Mint was managed by the Company of Moneyers, whose members were notorious for "self-dealing, corruption and drunkenness".[14]

> **To deal with the situation, the British government took the extraordinary step of appointing Sir Isaac Newton to the post of Warden of the Mint in 1696, which he gladly accepted for its handsome salary.**

Despite his genius, Newton was in some financial hardship at the time.[15] Newton's initial responsibilities revolved around assaying and the prevention of counterfeiting, which was rife at the time. Eventually, he grappled with the problem of an outflow of silver and sought to set the price of gold and silver relative to each other in Britain.

In doing so, however, he set the price of silver relative to gold too cheaply versus other European powers, causing silver to flow offshore and over time, locking Britain into a de facto monometallic gold standard.

This occurred by draining the Bank of England's reserves of silver and leaving gold alone to dominate the reserves held in British banks.[16]

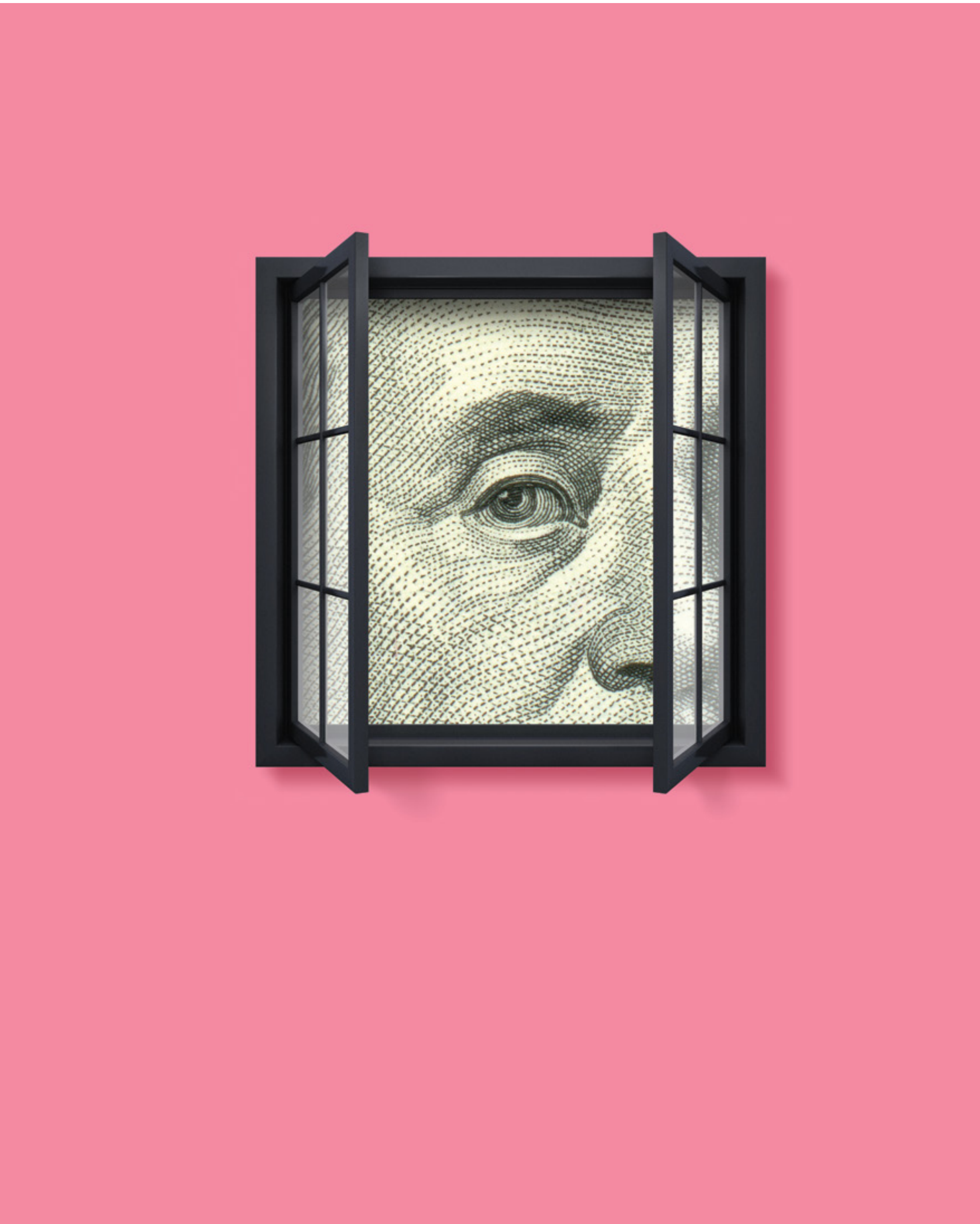
A similar dynamic occurred in the US. The country's first Treasury Secretary Alexander Hamilton, drawing inspiration from Newton's 1717 report on setting the ratio of gold and silver, set this ratio for the metals in the US at 15:1.

However, the market value of the metals relative to each other changed – discoveries of huge, silver-rich mines in Nevada helped to drive down the price of silver relative to gold, such that the ratio of the prices in the open market drifted out to 16:1 by the 1810s.

> **This effectively created an arbitrage opportunity – a holder of silver could sell silver for gold, take that gold to the Mint to exchange it back into silver, sell that silver for gold on the open market and make a profit.**

This resulted in gold being driven out of circulation – an example of *Gresham's Law* in operation – leaving gold as the dominant reserve metal.[17]

Simply put – the gold standard arose by mistake.



The gold standard never implied that currency was actually 'backed by gold' in any literal sense – no country ever had a currency fully backed by gold in the modern era, with the proliferation of trade acceptances, bank notes and other instruments ensuring that currency in circulation was always multiples of gold backing and that the rate of backing was not constant. As an example, in Britain, in 1913, currency in circulation was backed approximately one-part-in-seven by gold.[18]

> Gresham's Law: 'Good money' leaves circulation, leaving 'bad money' traded. Where people mistrust the value of a currency, they seek to hoard more trustworthy alternatives – leaving the 'bad money' in circulation; and where an arbitrage exists, the 'cheap' money will remain in circulation, with the 'dear' money forced out of circulation.[19]

THE HEADY BENEFITS OF GOLD

Adherence to at least a partial backing of currency by gold, assisted states in gaining access to London capital markets in the 18th and 19th centuries. Partial gold backing gave creditors some confidence of repayment, thus allowing credit to flow, paradoxically diminishing the backing of gold to currency!

How the gold was acquired was irrelevant: for example, Japan's industrialisation was catalysed by the seizure of gold from China following the 1894-95 Sino-Japanese War via massive reparations, which facilitated Japanese borrowing in London.[20]

For merchants and investors, trade credit and foreign direct investment were catalysed by use of the gold standard due to the tradability of merchants' acceptances and bank bills globally.

For merchants, there were huge financing advantages in being able to borrow against future cargoes or revenue streams. On the other hand, creditors were able to on-sell credit risk in the form of discounted merchants' acceptances.

Throughout the 19th and early 20th centuries this was easiest in London by a wide margin, given the immense depth of the market for acceptances there relative to any other financial centre.[21]

GOLD'S COLOSSAL COSTS

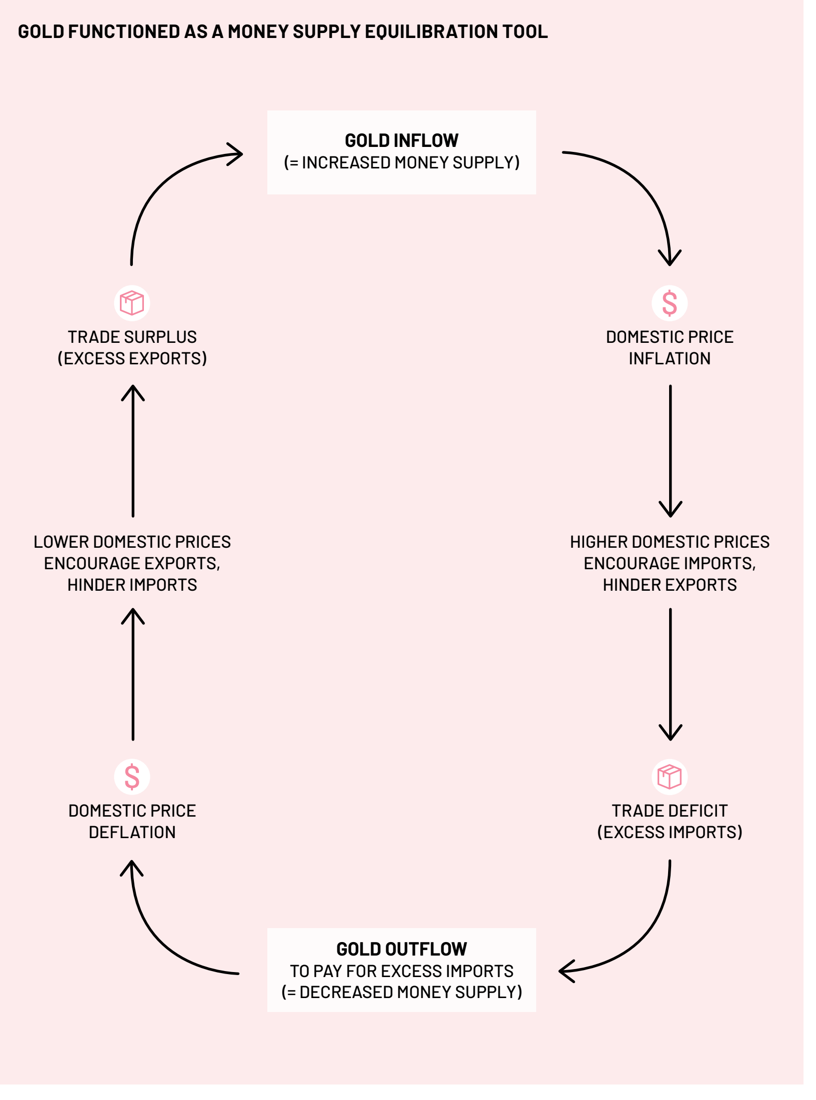
The gold standard had two colossal costs. It was deeply, cruelly regressive; and it was ferociously unstable.

The functioning of the classical gold standard allowed for gold to function as a money supply equilibration tool, which tended toward a shrinking money supply and deflation in order to stem gold outflows caused by any rise in domestic prices, as shown in the diagram on the right.[22]

> The effect of this cycle, with specie (gold) flowing out of economies in the presence of trade deficits, was to induce periodic bouts of deflation and deep recessions. One effect of these recessions, in the absence of social safety nets of the modern state, was to steeply reduce life expectancy during and in their aftermath. The gold standard was brutal in its impacts on everyday people.[23]

The 19th century was racked by financial crises and a run on banks roughly once every 10 years somewhere in major financial centres globally.[24]

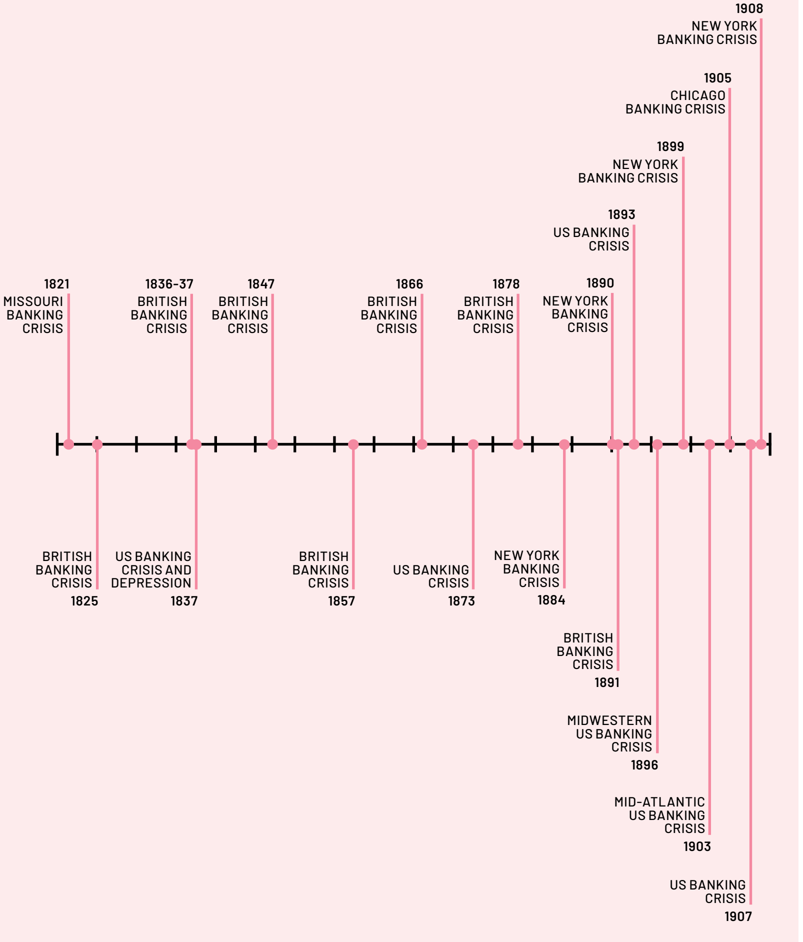
The reason is simple, and inherent to the gold standard itself. The banking system created money in the form of banknotes and merchants' acceptances. These were all exchangeable for gold, albeit usually at a discount. However, the system itself was always multiple times geared in terms of currency in circulation versus available gold supply.


GOLD FUNCTIONED AS A MONEY SUPPLY EQUILIBRATION TOOL
GOLD INFLOW
(= INCREASED MONEY SUPPLY)
DOMESTIC PRICE INFLATION
HIGHER DOMESTIC PRICES ENCOURAGE IMPORTS, HINDER EXPORTS
TRADE DEFICIT (EXCESS IMPORTS)
GOLD OUTFLOW
TO PAY FOR EXCESS IMPORTS
(= DECREASED MONEY SUPPLY)
DOMESTIC PRICE DEFLATION
LOWER DOMESTIC PRICES ENCOURAGE EXPORTS, HINDER IMPORTS
TRADE SURPLUS (EXCESS EXPORTS)

At the first hint of instability or insolvency on the part of one or more banks, all participants had both the incentive to exchange currency for gold, and the legal right to do so.

The arbitrary assignment of a metal as the determinant of value for currency, and as a limit to its supply, did nothing to avert instability – indeed, it encouraged it.

US AND BRITISH BANKING CRISES UNDER THE GOLD STANDARD



Source: https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age
https://www.researchgate.net/publication/299890635_British_Financial_Crises_in_the_Nineteenth_and_Twentieth_Centuries
https://www.stlouisfed.org/a-foregone-conclusion/chapter-one

THE BRETTON WOODS SYSTEM – EXORBITANT PRIVILEGE, NAKED POWER

In the final stages of World War II, with Allied victory relatively certain, one of the world's most influential living economists faced off against a US Treasury functionary to decide the fate of the non-communist world's monetary system.

John Maynard Keynes had been a leading economist for 30 years and *the* most exalted economist globally for over a decade. He set forth his ideas for a global balance of payments adjustment system using a new, international unit of exchange known as the Bancor, to be administered by an International Clearing Union. The system was elegant, flexible, fair and sought to avoid risks caused by extreme imbalances, both for deficit and surplus nations.

Squaring off against Keynes was a largely unknown economist, Harry Dexter White. He was no slouch himself, a PhD with degrees from Stanford and Harvard. He also happened to represent the nation that accounted for one-half of global industrial production at the time.[25] Readers can likely guess what happened.

> **Despite a clearly articulated explanation of a functional international balance of payments system delivered by such an esteemed economist, raw power won the day.**

In July 1944, at a holiday resort named Bretton Woods in New Hampshire, all key Allied powers agreed to install the US dollar as the dominant unit of exchange in all international transactions, and avoid any penalty or self-balancing mechanism for inveterate surplus-generating nations.

Why? Because the Americans were the preeminent creditor nation globally, and in White's words, they did not want to be repaid in "funny money".[26]

POST BRETTON WOODS – FROM CREDITOR TO DEBTOR AND ONTO FUNNY MONEY

The flaw in the Bretton Woods System, similar to those of the classical gold standard, is that it rested on the commitment of one country to provide two reserve assets: dollars, the supply of which is unlimited; and gold, the supply of which *is* limited. The problem was articulated as early as 1947 by Belgian born economist Robert Triffin – indeed the paradox became known as the 'Triffin Dilemma'.

> **This stated that should the US not provide enough dollars to fund a growing global economy, growth would be stifled and the system would grind into a deflationary rut; however, should the US provide ample dollar funding to promote global growth, then the backing of the dollar by gold would be thrown into question. The dollar would then become susceptible to the international equivalent of a bank run.**

American liabilities to foreigners first exceeded US gold reserves as early as 1960. Rapidly growing and efficient Germany and Japan found themselves posting large trade and current account surpluses and thus accumulating dollars throughout the 1950s and 1960s. Would these dollar reserves hold their value, when clearly gold backing for such large reserves was insufficient?

Speculation mounted against the dollar throughout the 1960s and institutional responses included the foundation of a Gold Pool to share the cost of meeting gold redemptions, the issuance of Special Drawing Rights by the International Monetary Fund (IMF) in an attempt to provide an alternative reserve asset (Bancor anyone?) and the use of exchange rate bands around the dollar known as the 'snake'. It was all too little too late.

In August 1971, after Britain requested a large redemption of dollars for gold in order to meet redemptions against the imperilled pound, US President Richard Nixon did the inevitable and suspended the convertibility of gold for dollars. It was never to be reinstated.[27]

Funny money indeed.

POST 1971: ADRIFT IN A FIAT OCEAN

Since 1971, global trade, investment and general economic activity have come to rest on floating currencies, unbacked by gold or any other 'hard asset' (i.e. fiat currencies). The US dollar has retained dominance of global transactions – it is used in approximately 85% of all foreign exchange transactions, with US exports only representing 13% of the global total and US foreign direct investment just 20%.[28]

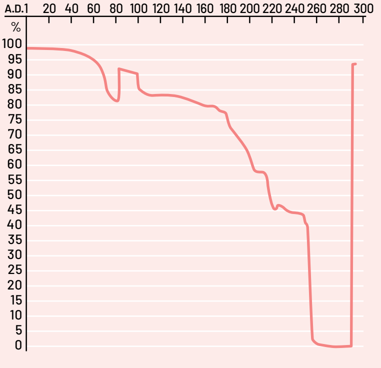
> **The purchasing power of all currencies has utterly collapsed versus any form of hard asset – gold, commodities, real property and so forth.**

When charted beside the currency debasements of the late Roman Empire – the collapse in the buying power of the dollar since 1971 measured in gold looks similarly cataclysmic. In gold terms, the dollar has lost roughly 98% of its value in 50 years (see below).

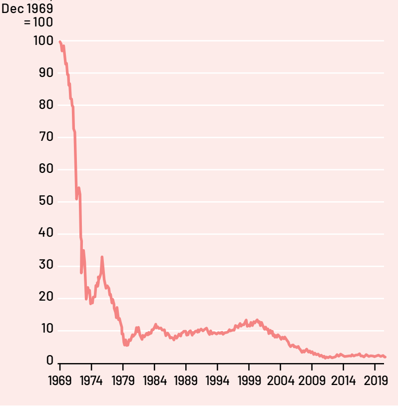
However, the commercial world keeps turning. Economic agents continue to accept and use state-issued, unbacked fiat currency, the dominance of which is unchallenged, with alternatives, such as gold or crypto currencies, peripheral at best.[29]

ROMAN SILVER COINAGE

AVERAGE PERCENTAGE OF SILVER IN COINS MINTED IN A.D. 1 - A.D. 300 (INCLUSIVE)



VALUE OF US DOLLAR IN GOLD



Source: https://warwick.ac.uk/fac/arts/classics/staff/butcher/debasement_and_decline.pdf; Bloomberg.

A WORLD IN A DAZE: THE POST-GFC PERIOD TO 2020

The post-GFC period to 2020 was replete with breathless reporting about "unprecedented monetary policies" and some amount of fear about "Keynesian" excesses and "big government".[30] The trouble with that narrative was that it was untrue.

There was little unprecedented about the monetary response of policy officials globally – interest rate setting/manipulation, zero rates and bond buying were all features of the Depression-era monetary responses to the 1929 Wall Street Crash in many countries, notably in the US and Japan – albeit slower in most major economies and with highly unhelpful tariffs imposed globally.[31]

> **Far from there being a wave of huge Keynesian policy responses, there was little fiscal support for major economies after 2010. Every major economy shrank their respective budget deficits from 2010 onward.**

In Europe, Germany seized the opportunity of the crisis to discipline the spendthrift peripheral nations of the European Union (EU). In the US, the 2010 Tea Party revolution saw fiscal hawks become pivotal in the House, advocating for spending cuts and lower deficits. China's initial stimulus came in the form of bank-directed credit growth, which resulted in the deep financing reforms and industrial slowdown of 2013-16.

This contrasts with massive fiscal support unleashed in major economies in the 1930s by 'populists' in most major economies of the day.[32] Populists re-emerged toward the end of the 2010s and fiscal restraint began to erode, most notably in the form of the Trump tax cuts, which entrenched ~5% of gross domestic product (GDP) budget deficits as a permanent feature of US fiscal policy.[33]

There was also friction within Europe about the strictures of the EU's fiscal compact, which seeks to limit budget deficits to 3% of GDP and government debt to 60% of GDP.[34]

> We have written for several years about the emergence of populism and its largely overlooked core definition: populists spend money! Extraordinary shifts in public opinion about trade policy, socialism and nationalism have followed.[35]

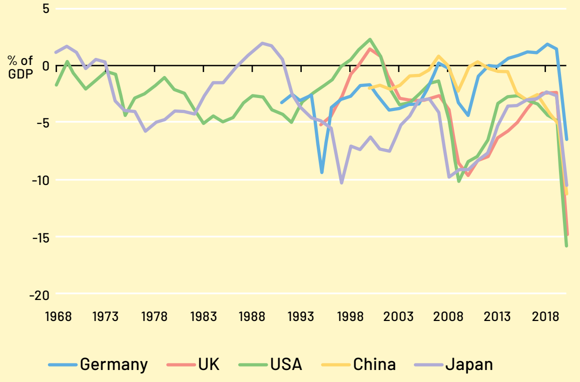
However, the *coup de grâce* of 40 years of austerity in fiscal policy may have come with the policy responses to the 2020 COVID-19 pandemic.

2020: THE *COUP DE GRÂCE* FOR AUSTERITY?

After 40 years of falling interest rates and declining/low inflation in the developed world, investors have been trained to believe that inflation is impossible. Central banks globally begged elected officials to spend money for a decade – and in general, they refused to do so in most large economies.[36] That was until 2020.

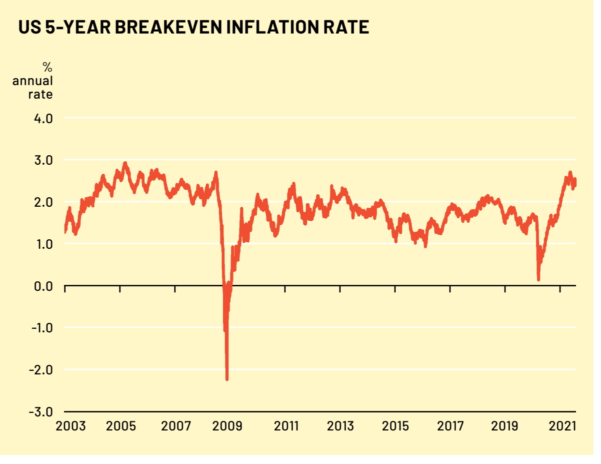
Just as the GFC saw the abandonment of monetary rectitude among central bankers, so the reaction to COVID-19 may have seen the abandonment of any pretence of fiscal discipline among elected officials in the developed world.

CENTRAL GOVERNMENT BUDGET BALANCES



Source: Bloomberg; OECD; Fitch. Annual data to 2020.

Correspondingly, inflation and inflation expectations rose dramatically.



Source: Federal Reserve Bank of St. Louis. Data as at 18 August 2021.

At present, debate rages about the permanence or transience of 2021's inflation surge. The breakeven rates for the US, currently project an inflation rate of 2.5% in five years' time, close to 20-year highs.

> And we believe that inflation may well prove more durable than many foresee. However, more important is the insight that there is nothing remotely resembling a physical law that defines inflation.

ON INFLATION

It is reasonably clear that no central bank, nor economic observer, has a robust, predictive model of inflation. One member of the Federal Reserve board is reported to have described inflation modelling in the early 2010s as "crap in, crap out".[37] US Federal Reserve (Fed) Chairs have shifted between a core and headline consumer price index (CPI) as their preferred measure of inflation.[38] Additionally, robust measures of inflation are rejected if they give problematic modelling results.[39] This is hardly a scientific approach.

It also seems reasonably clear that inflation is a multi-variate phenomenon, with causation stemming from diverse factors, such as wealth and income distribution, savings rates, money supply, and interest rates as well as institutional factors, such as the power of organised labour.

What seems absolutely clear is that Milton Friedman's aphorism that "inflation is always and everywhere a monetary phenomenon" is at best an oversimplification. See below for Paul Volcker's view:

> "...when we talk about credibility, I think far, far, too much emphasis is put on these monetary targets."[40]

Perhaps most powerfully – inflation may be what we expect it to be. This is the "rational expectations" school of inflation causation: no policy tool can be employed to fight (or encourage) inflation, unless it is expected to work by enough economic agents within a system.[41] It is worth remembering that in the late 1970s, it was accepted by virtually all serious economists that inflation was a persistent feature of the system.[42] This was on the cusp of the "Volcker Shock" and the taming of inflation for a generation.

Contrast this to the situation which presents itself now: there is close to universal consensus that inflation is transitory. Bond markets globally at the time of writing are strengthening, with yields falling and curves flattening, despite buoyant commodity prices, inflation expectations, business survey results and consumer expectations.

Moreover, just as Volcker was explicit about the need to tame inflation, today's central bankers appear resolute in their desire for increased inflation and perfectly comfortable with rates of inflation above target for periods of time.[43]

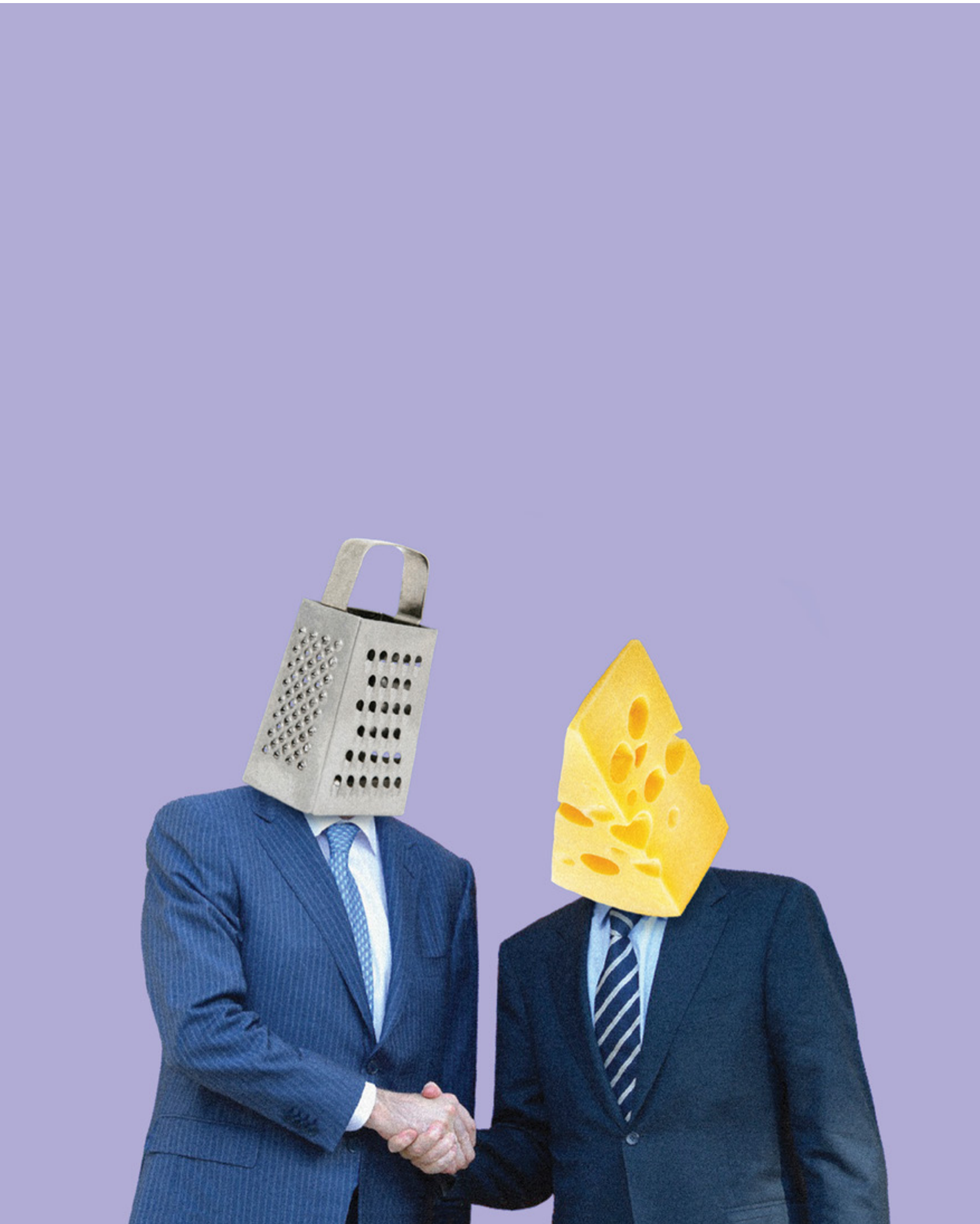
MODERN MONETARY THEORY

For well over a decade, a series of ideas have percolated around the fringes of mainstream economics, which appear to describe the functioning of monetary systems in the post-1971 fiat world well, those of Modern Monetary Theory (MMT). MMT provides a description of pure fiat monetary systems, which is sensible and robust, and corresponds well to massive debt accumulations seen by governments with deep capital markets and widely accepted currencies.

To summarise:

- There is little '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;
- Taxes are not solely collected in order to spend the money, as money can be created instantly via issuance of government bonds (remembering that these are just offset accounts to bank reserves) as well as in the banking system, where the vast majority of money creation occurs;
- Fiat currency maintains a value in part because citizens must pay tax in that currency;
- Taxes also have impacts on aggregate demand and by extension inflation and wealth distribution, and can be used to condition behaviour (e.g. 'sin' taxes);
- There is no inter-generational burden of government debt in a government's own currency – remember, it can be extinguished instantly;
- The consequence of excessive government bond issuance or direct money creation is currency weakness and inflation – NOT insolvency or penury.[44]

> **This framework provides a reasonable basis for understanding how Japan has accumulated colossal government debt, with no inflation, no currency collapse and reasonable economic outcomes.**



Real per capita GDP in Japan has grown comparably or even *faster* than that of the US since the peak of 'Japan mania' in 1989[45] and the country's ratio of employed persons to total population is *higher* than that of the US.[46] This has also been achieved with far lower income and wealth inequality than in the US.[47]

This would seem to be inconsistent with classical economics' notions of 'crowding out' or the existence of an inverse relationship between interest rates and inflation.

These are simply unobservable. An MMT explanation of the role of money and debt in fiat economies appears to offer a reasonable approximation of reality.

CONCLUSION

We would counsel against passive acceptance of consensus when thinking about a phenomenon as incredibly complex as inflation, especially in the face of monetary policy tools that allow for effectively limitless money creation, in combination with ambitious fiscal targets globally.

However, more profoundly, we would highlight the central point of this article – money is a fluid, social institution, and the governing structures around it – centrals banks, treasuries, monetary policy settings and tools – are all subject to profound change.

> **There is every chance that we are living through a period of such change, that decades of no change have shifted to weeks of decadal change.**

Fed buying of corporate bonds, unprecedented peace-time budget deficits, profound questioning of globalisation, massive transfer payments, unprecedented savings rates, and huge asset price surges, indicate there is ample evidence to suggest this.

POST SCRIPT: MONEY IS POLITICAL

In the last two centuries, Britain and the US, both creditor nations, embraced and expanded forms of a gold standard, but when their trade and current account positions slipped into deficit, they pushed for revaluations, and finally abandoned their respective versions of a gold standard altogether.

Britain lacked the economic and military power to retain reserve currency status without gold backing. The US remained the dominant military and industrial power globally after 1971 and its power increased in subsequent decades given the decline and fall of the Soviet Union and related communist states. And of course, the dollar retained reserve currency status.

The loudest voices clamouring for 'hard money' systems tend to be creditors, or those ideologically aligned with them. There is a distinct moral overtone to gold standard/ hard money arguments.

Take for example Jim Rickard's view:

> "A gold standard is the ideal monetary system for those who create wealth through ingenuity, entrepreneurship, and hard work. Gold standards are disfavored by those who do not create wealth but instead seek to extract wealth from others through inflation, inside information, and market manipulation."[48]

How, precisely, the use of gold in monetary policy would avoid market manipulation and the use of inside information escapes your humble author. Any passing knowledge of the 1920s will suffice to dispel such a notion.[49]

There is also a tendency to millennialism and dark prophecy, such as Ronald Reagan's statement before the 1982 election that:

"No nation in history has ever survived fiat money, money that did not have precious metal backing."[50]

The glaring logical fallacies here are that vanishingly few nations in history have survived having any form of currency, or anything for that matter – all nations fall eventually – and that all nations in existence today *have* unbacked currencies.

The delicious irony is that economic policies under US President Reagan saw fiscal deficits, which increased the level of national debt from 22% to 38% of GDP.[51]

So much for prophecy.

> **The Cantillon Effect: Money may *not* be neutral. If money enters circulation at a specific point, say the banking system, then inflationary effects may have an outwardly radiating effect, allowing early holders of the 'new' money to benefit in terms of spending power.[52]**

To demonstrate – imagine that it is 1610, and a huge shipment of gold arrives in Spain from the New World, and that the influx of gold goes on to trigger inflation. Now, imagine that prior to docking, one of the sailors takes a tender and races to shore to spend his share of the gold. He gets the advantage of spending the gold, before the inflationary impact of the rest of the bullion on the economy is felt, thus enjoying a possibly significant benefit in terms of buying power versus other people in Spain affected later by the increase in money supply.

Now, imagine that a hedge fund manager is a close counterparty with a money centre bank, and that the Federal Reserve injects huge levels of funding into the banking system to shore it up in a period of volatility. The hedge fund manager may benefit from that liquidity before virtually anyone else in the economy given the rapidity with which they can draw on credit via their banking relationships, access to capital, and ability to deploy that capital rapidly.

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