



Source – Company Website

16th February 2021

Small Cap

Platinum Asset Management Limited – Well Placed to Deliver Extraordinary Returns?

Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: PTM
Shares O/S	586.68 million
Closing Price	AUD 4.39
Market Cap	2.54 billion
52 High/Low	4.69/2.63
One Year Stock Performance	-6.60%
Avg volume (TTM)	1.21 million
EPS (TTM)	0.267
P/E	16.22
Annual Dividend Yield	5.52%
Franking	100%
Last Dividend Ex-Date	03 Sept 2020
Last Dividend Pay Date	22 Sept 2020
DPS (AUD)	0.24
ROE %	48.04%

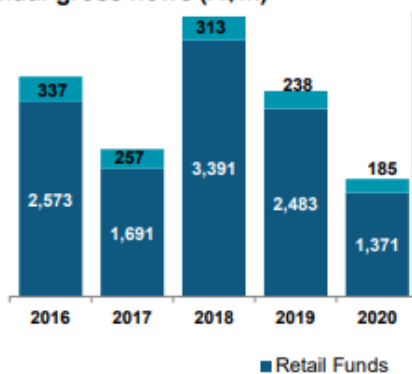
COMPANY OVERVIEW

Platinum Asset Management Limited (**“Platinum” or the “Company”**) is the ultimate holding company of Platinum Investment Management Limited, specialising in investing in global equities.

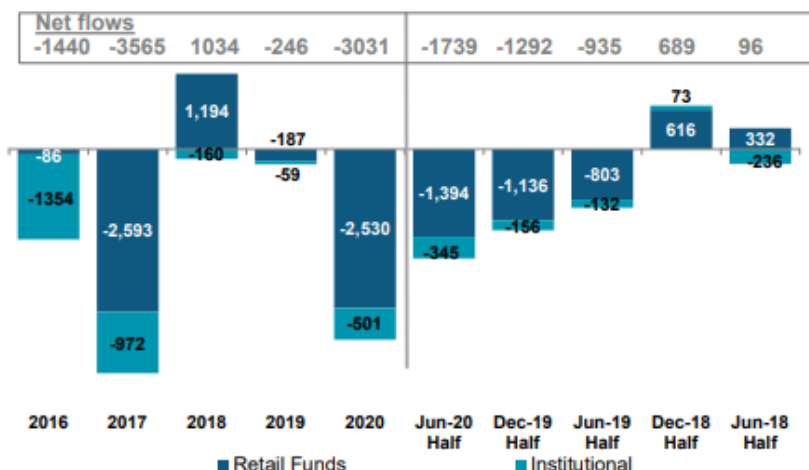
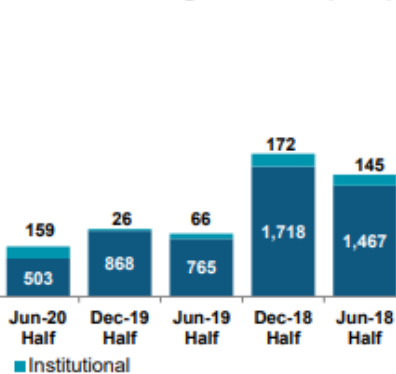
On 5th February 2021, the Company announced that at the end of the January month, Platinum’s FUM was \$23,818 million as compared to \$23,598 million in December 2020. In January 2021, Platinum experienced net outflows of approximately \$221 million. This included net outflows from the Platinum Trust Funds² of approximately \$109 million.

Some of the funds managed by Platinum have shown strong 3-month return of 18% -24% (as of 31st January 2021). This may be because of the active and prudent strategy followed by the fund managers. Bargain hunting after a share price decline may have resulted in such returns.

Annual gross flows (A\$m)



Semi-annual gross flows (A\$m)

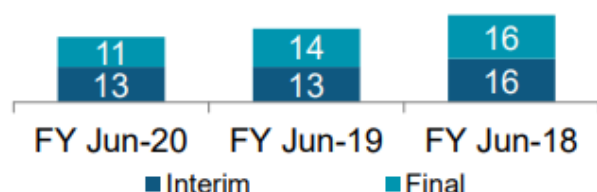


Annual net flows (A\$m)

Semi-annual net flows (A\$m)

INVESTMENT RATIONALE:

- **Strong Market Position** – The Company offers its services to hedge and mutual funds by assisting with launches and management. Platinum also invests in the share market directly, applying a value investing strategy across consumer, health care and technology sectors. The Company continues to be well positioned for future growth as it maintains a highly differentiated product and maintains a strong position in the Australian retail market. The Company's new offshore initiatives have also provided a platform for growth over the medium-term. During FY2020, the Company's two ASX quoted managed funds, Platinum International Fund and Platinum Asia Fund continued to do well with total FUM increasing to \$520.2 million at 31 January 2021 (30 June 2019: \$486 million).
- **Focused Dividend Pay-out Strategy** – The Company require limited capital to maintain its operations and is focused to pay the most, if not all, future profits by way of dividends to reward its shareholders. In FY2020, the Company declared a fully-franked dividend of 11 cents per share. This together with the interim fully-franked ordinary dividend of 13 cents per share, took total dividends for the 2020 financial year to 24 cents per share.



Source – Company's Report

- **Opportunity in Disguise** – Since the outbreak of coronavirus pandemic, the asset management companies have witnessed a tough time as investors were taking out their money which has impacted its FUM and the declining share prices further deteriorated the performance of the fund managed by them. We believe that prior to this epidemic, the markets were trading at super high valuations and with the recent corrections, active fund managers were able to pick fundamentally sound companies available at attractive price and has deliver alpha returns on their investments.
- **Financial Performance** - For FY2020, the revenue and other income for the period decreased by less than 1% to \$298.7 million in the year ended 30 June 2020 (2019: \$299.3 million). The main contributor to revenues, earnings and profits growth was due to mark-to-market gains on the seed investments. Performance fee revenues of \$9.1 million (2019: \$30,000) were primarily attributable to strong relative performance by the Asia ex-Japan and Healthcare strategies. Other income increased from \$4.1 million in the previous year to \$13.7 million in the current year due to improved returns from seed investments.
- **Business Development** – The Company continued to develop its distribution presence offshore. Dublin domiciled funds are currently passported into Finland, Germany, Italy, Ireland, Spain, Sweden, Switzerland and the UK. The Company remains confident that these efforts, while hampered in the short term by investment performance in certain strategies, will ultimately result in a more diversified business. The Company also continued to leverage its distribution relationship with AccessAlpha Worldwide in the US.
- **FY 2021 Outlook** – Markets have continued to appreciate in the new financial year and this appreciation has more than offset net outflows from its PT Funds. In addition, it is encouraging to note that Platinum's early positioning in COVID recovery cyclical stocks has begun to be rewarded in recent weeks as equity markets start to digest the future implications of a vaccine led economic recovery in more cyclical stocks. Should these market conditions persist, any sustained investment performance improvement would bode well for Platinum's future asset and revenue growth.

ACE's RECOMMENDATION

The Company operates with strong financial position, with a strong balance sheet. However, we believe that the most significant driver of its sustainable future growth will be the delivery of superior, long-term, investment returns for its clients. In an interview, the Company's CEO, Andrew Clifford shared an insight on how the Company is identifying investment opportunities in the current environment. The Company is taking a view on the earnings power of companies three to five years in the future. It then adjusts valuations for losses that it expects these companies to accrue during the worst of the downturn. Over the years, Platinum has established itself as an investment name synonymous with global equity investing.

We believe that the professional asset managers are better placed and are likely to hold on investments or increase contributions compared to retail investors. Platinum's shares are still down from its 52-week high. This has been caused by the underperformance of its funds and large fund outflows. The slight increase in the fund under management indicates that the investors are again coming back into the market. We believe that this is likely to drive the profitability of the Company. At current levels, we would like to recommend **BUY** rating on the stock.

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