



Platinum losing its shine

Company/ASX Code	Platinum Asset Management Ltd / PTM
AGM date	Friday, 20 November 2020
Time and location	10am Virtual (https://web.lumiagm.com/312386501)
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Ian Anderson
Pre AGM Meeting?	Yes with Chair Michael Cole, incoming Chair Guy Strapp, Finance Director, Andrew Stannard and Director of Investor Services and Communications, Elizabeth Norman

The individual (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

Item A	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Financial performance

Platinum has completed another year of declining performance with Funds Under Management (FUM) declining 14% to a five year low of \$21.4B driven largely by the poor investment performance of, and consequent capital outflows from, the flagship International fund. The only bright spots were the Asia (ex Japan) and Health Care funds both of which returned over 10% above the comparable index. Overall, despite the reduction in management fees from the International fund, revenues were flat compared to the previous year thanks to performance fees from the Asia and Healthcare strategies as well as improved returns from seed investments. Costs were largely contained with reduced staff and registry costs offset by increases in occupancy costs, non-recurring legal costs and share-based payment expenses.

The company declared fully franked interim and final dividends of 13 and 11 cents respectively continuing the policy of distributing most, if not all profits by way of dividends subject to capital requirements.

Governance and culture

Platinum is an unusual company in that fifty percent of shares are held by directors and staff including a nearly forty three percent substantial holding equally divided between founder Kerr Neilson and his former wife. In addition, the board includes four executive directors in a board of

nine. The company has relatively small capital requirements and much of its competitive advantage resides in the expertise of its senior executives and staff.

The high staff shareholding provides good alignment with shareholder interests and all directors except Andrew Stannard hold shares in the company, although several non-executive directors have yet to reach a holding equivalent to one year's fees. Andrew Stannard has contingent rights to 119,211 shares which will begin to vest in 2021 provided he remains with the company.

Key events

Restrictions imposed due to Covid-19 were one of the risks foreseen in the company's risk management strategy and caused relatively minimal disruption to operations with the majority of staff able to work remotely. However the company sees benefits in investment teams working face-to-face and expects an eventual return to more normal arrangements over time.

Key Board or senior management changes

There were no changes to the board or KMP during the financial year but as previously announced, the chairman, Michael Cole will retire at the close of the AGM on 20th November. Guy Strapp has been appointed to the board from 27th August and will assume the chairman's role upon Mr Cole's retirement. Founder Kerr Neilson retired as an employee as from 31st August 2020 but will remain on the board as a non-executive director.

ASA focus issues

Apart from remuneration issues commented on below, Platinum generally complies with ASA focus issues and with three female directors in a board of nine, complies with ASA's guideline of minimum 30% female representation.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	155.61	158.34	191.6	192.6	199.9
FUM (\$m)	21,385	24,765	25,698	22,713	22,688
Share price (\$)	3.73	4.85	5.76	4.63	5.72
Dividend (cents)	24	27	32	30	32
TSR (%)	-18	-11	30.8	-14.41	-18.7
EPS (cents)	26.76	27.03	32.4	31.7	34.2
CEO total remuneration, actual (\$m)	0.471	0.471	0.470	0.452	0.481

For FY20, the CEO's total actual remuneration was **5.1 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Resolution 1	Election of Guy Strapp as a Director
ASA Vote	For

Summary of ASA Position

Guy Strapp was appointed to the board on 27th August 2020 with the intention that, if elected at the AGM, he would become chairman on the retirement of Michael Cole at the close of the AGM.

Mr Strapp has a background in financial services having worked both internationally and in Australia with organisations such as Bank America, JP Morgan, Citibank and BT Financial Group. More recently he has held positions as CIO and CEO of Eastspring Investments (previously Prudential Asset Management) in Hong Kong. He is also chairman of Australian wealth manager First Samuel Ltd. Mr Strapp has assured us that he sees little likelihood of conflicts arising from his chairmanship of two wealth management companies due largely to each operating in different parts of the market, one internationally focussed and the other domestic.

With his local and international experience in asset management both on the investment and distribution side, Mr Strapp appears well qualified to contribute to the Platinum board and ASA will vote undirected proxies in his favour.

Resolution 2	Re-election of Stephen Menzies as a Director
ASA Vote	For

Stephen Menzies was first elected to the board in March 2015 and is currently chair of the Nomination and Remuneration committee and a member of the Audit and Risk committee. With a background in law, he is chair of Silicon Quantum Computing Pty Ltd and a past chairman of the Centre for Quantum Computation and Communication Technology.

ASA has previously supported Mr Menzies' election and will vote undirected proxies in his favour.

Resolution 3	Appointment of Ernst & Young as the Company's Auditor
ASA Vote	For

Following a competitive tender process, the board selected Ernst & Young to replace the current auditors, PricewaterhouseCoopers (PwC) who have been in place since 2007. The appointment is subject to ASIC approval of the resignation of PwC.

ASA supports regular rotation of auditors and will vote undirected proxies in favour of this resolution.

Resolution 4	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

Platinum operates a complex arrangement of multiple incentive schemes designed to incentivise, reward and retain not only executive KMP but the majority of the investment team and other employees in the company. There's the CEO Plan (CEOP), the Investment Team Plan (ITP), the Profit Share Plan (PSP) and the General Employee Plan (GEP). In addition, there's the deferred Remuneration Plan (DRP) as well as two inactive Long Term Incentive (LTI) plans. The CEO participates in the ITP and PSP as a member of these teams as well as in the CEO plan. Other executive KMP participate in the GEP but not the ITP or PSP.

The ITP and PSP operate on a pool structure determined by investment and company performance and are allocated on the basis of individual assessments of performance against quantitative and (unstated) qualitative measures. The GEP appears to be entirely discretionary. Variable awards are paid largely in cash but an undisclosed proportion can be made in the form of deferred equity which vests over a period of four years via the DRP and which appears to essentially be a retention scheme. In FY20, a total of \$8.7M was directed into the DRP including a total of \$600,000 in respect of KMP Elizabeth Norman and Andrew Stannard. The company intends to purchase shares on market in order to satisfy obligations under the DRP but there is flexibility to award cash or some other instrument (under unstated circumstances).

The CEOP consists of STI only (capped at \$1M) awarded on a discretionary basis and provided to Mr Clifford in the form of an equivalent award of deferred equity rights issued pursuant to the DRP. The plan had the following maximum opportunity for FY20 (in addition to any potential awards under the ITP and PSP each of which are uncapped):

CEO REM Framework for FY20	Target* \$M	% of Total	Max. Opportunity \$M	% of Total
Fixed Remuneration	NA		0.471	32%
STI - Cash	NA		Nil	0%
STI - Equity	NA		1.00	68%
LTI	NA		Nil	0%
Total	NA		1.471	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. AS mentioned above PTM;s remuneration framework doesn't target a level of remuneration.

Whilst being assessed as partially achieving some of his KPIs under the CEO plan, Mr Clifford elected not to receive any variable incentive awards for FY20. Kerr Neilson continues to waive his ability to receive variable incentive awards. No awards were made under the ITP or PSP and of the

executive KMP, only Elizabeth Norman & Andrew Stannard received awards under the GEP. A salary freeze has been implemented for 2021.

Despite the laudable restraint in awards this year, the fact remains that the majority of variable remuneration is allocated on a discretionary basis with very limited disclosure of targets and assessment criteria. Whilst it is recognised that Platinum has specific requirements regarding staff expertise and retention and it can be argued that high levels of staff shareholding align executives with shareholder interests, it is felt that a greater transparency could be provided for the allocation of what can be significant variable awards.

ASA has voted against the REM report in the past but over the last two years has marginally supported it. We will do so again this year on the basis of the restraint shown in assessing the largely discretionary awards and the willingness of some KMP to forego their awards. However we look to greater clarity being provided in future particularly if variable awards start to increase.

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