Platinum
CAPITAL LIMITED

Chairman's Address to the AGM on 27 October 2016

Listing Rule 3.13.3

Introduction

Good morning ladies and gentleman and welcome to the 2016 Annual General Meeting of Platinum Capital Limited.

As is our usual practice, my address will focus on a number of key issues that have impacted on the Company, namely the Company's investment performance and financial results, dividends, changes to the Board and fee structure, the capital management program, the performance for the first three months of 2016-2017 and the Company's outlook.

Investment Performance and Financial Results

The Platinum Capital Limited (**PMC**) portfolio is structured quite differently to that of a benchmark index. This is not unusual and is an outcome of the proven investment approach and process of our Investment Manager that has delivered well above average long-term results for shareholders of PMC. The price to be paid in following this investment process is that there will be shorter term periods when returns are below par – 2015/16 was one of those years.

For the year ended 30 June 2016, our net asset value or NAV decreased by 7% pre-tax after fees and expenses, and assuming the reinvestment of dividends. In contrast, the benchmark Morgan Stanley Capital International All Country World Net Index in $A terms decreased by 1%. Locally, the 12 months return from the Australian All Ordinaries Accumulation Index was 2%.

After allowing for all tax liabilities, both realised and unrealised, the Company's NAV decreased by 5%.

Our portfolio suffered from its underweighting to the strongly performing US market and commensurate overweighting to the weaker Chinese, Japanese and European markets. The US market, which at 30 June 2016 comprised nearly 54% of the benchmark, delivered a 6% return, whilst the rest of the world decreased 7%. We were also underweight the strongly performing Consumer Staples sector which is slow-growing and regarded as overvalued.

Short term returns are volatile and it is far more instructive to look at longer term returns. During the 22 year period since we floated, the Company's rolling annualised five year returns have been impressive and in double digits for the majority of the time. Capital preservation has also been a standout feature with only a modest negative return being recorded by the Company in the aftermath of the GFC.

This has translated into a very solid long-term return for the portfolio. Since inception (in 1994), the compound annual appreciation of the Company's net assets on a pre-tax basis to the year ended 30 June 2016 was 12% per annum. In comparison, the return from the MSCI All Country World Net Index was 6%. The comparable return from the Australian All Ordinaries Accumulation Index has been 8% annually over the same 22 years.

For the year ended 30 June 2016, the Company made a statutory pre-tax operating loss of $26.8 million and a post-tax operating loss of $18.8 million.

However, under Australian Accounting Standards, realised profits and losses are added to, or reduced by, changes in the market value of the Company's total assets. This can lead to large variations in recorded statutory profits or losses from any one year to the next.

Therefore, despite the losses made in 2015/16, your Directors continue to maintain that a more appropriate measure of the Company's results is the percentage change in its pre-tax NAV plus dividends paid. On this measure, the Company's pre-tax NAV decreased to $1.44 per share at 30 June 2016 and, after adjusting for dividends and taxes, this represents a decrease of 7%.

Our disappointing investment performance over the last year is anomalous compared to our long-term returns against both the MSCI All Country World Net Index and the Australian All Ordinaries Accumulation Index.

Your Board believes the Company's long-term track record demonstrates that the investment philosophy and process of our Investment Manager delivers solid risk adjusted returns for patient investors.

<u>Shareholder return</u>

Total shareholder return, measured in terms of the change in the Company's share price plus dividends paid, was down 3% for the 12 months to 30 June 2016. However, when added to the 6% return for the 12 months to 30 June 2015, and the exceptional 27% return for the 12 months to 30 June 2014, it is clear that shareholder return over the last three years has been good.

<u>Performance for the first quarter of 2017</u>

I am pleased to announce that since the end of the 2015-16 year, our investment performance has improved and we are starting to see the rewards of our portfolio composition and positioning. The pre-tax NAV increased from $1.44 per share to $1.49 per share over the first three months to 30 September 2016. This is after the payment of the 4 cents per share fully franked dividend that was paid out in September 2016 and represents an increase of 6%.

The corresponding benchmark MSCI All Country World Net Index for the three months to 30 September 2016 increased by 2%. This relative outperformance of 4% in the first quarter of 2017 is a strong result by any measure and bodes well for the rest of 2017.

At 21 October 2016, the pre-tax NAV remained steady at $1.49.

<u>Dividends</u>

As mentioned earlier, a fully franked dividend of 4 cents per share was paid on 13 September 2016.

I am pleased to report that the Company is now building up its pool of available franking credits as a result of realised profits derived during the year and the associated tax payments.

The Company continues its policy of dividend smoothing and does its best to ensure that there are sufficient franking credits available to pay fully franked dividends in the future. The ability to generate fully franked dividends will continue to be dependent on the Company's ability to generate realised profits and pay tax.

The Board has implemented an accounting policy, which allows the Company to transfer its retained earnings to a dividend profit reserve, to the extent that any profits are not distributed. Hence, despite the current year operating loss, a dividend was declared out of the dividend profit reserve.

Changes to the Board

As detailed in my AGM Chairman's address last year, Kerr Neilson and Andrew Clifford were Directors of PMC until their resignation on 21 August 2015.

Both Kerr Neilson and Andrew Clifford have continued in their positions as current Chief Executive Officer and Chief Investment Officer of the Investment Manager, Platinum Investment Management Limited respectively.

Changes to Fee Structure

At the 2015 AGM, shareholders passed a resolution that changed the management and performance fees payable by the Company to the Investment Manager, with effect on and from 1 January 2016.

This new fee structure is a much more contemporary and appropriate fee model and comprises a lower base management fee of 1.1% per annum of the Company's portfolio value and a performance fee of 15% per annum of the amount by which the portfolio's annual return exceeds the MSCI return.

Capital Management

With respect to capital management, the Board has a non-binding Capital Management Policy in place which was introduced at the 2009 AGM. Under this policy, if the Company's share price trades at a significant premium or discount to pre-tax NAV for an extended period of time, the Board will consider implementing a rights offer or share buy-back.

One of the most important considerations in determining whether to activate the Capital Management Policy is whether the Investment Manager is comfortable that attractive investment opportunities are available. Obviously, given the necessary lead times, this is not always an exact science.

Throughout the year to 30 June 2016, the Company's share price has traded at a premium to pre-tax NAV. The Board actively considered capital management initiatives during the 2016 year, but after considering the view of the Investment Manager in regard to timing, we have not undertaken any initiatives. This is subject to ongoing review by the Board in conjunction with the input of the Investment Manager.

We note that since the middle of May 2016, the Company's premium has not exceeded 15% and, in fact, at 25 October 2016, the Company is now trading at very close to the pre-tax NAV.

Finally, the Board advises that it has reconsidered its decision of 2010 to discontinue Share Purchase Plans and now may now utilise them in future, if deemed appropriate.

Platinum CAPITAL LIMITED

Corporate Governance

As shareholders would be aware, Platinum Capital's funds are ultimately managed by Platinum Investment Management Limited through two key agreements previously approved by shareholders: the Investment Management Agreement and the Administrative Services Agreement.

In the past year, the Non-Executive Directors report that they have continued to monitor the performance of the Investment Manager and its adherence to the agreements with the full and transparent co-operation of Platinum Investment Management Limited and its management team. We are accordingly confident in the integrity and reporting of the Company's financial results to shareholders.

Outlook for the rest of the 2017 financial year

As noted earlier, for the first quarter of the 2017 financial year, the pre-tax NAV increased by 6%, based on a pre-tax NAV of $1.49 at 30 September 2016, resulting in relative out-performance of 4% in comparison to the benchmark. This strong set of returns is a result of some of our long-held positions, themes and ideas bearing fruit.

At 21 October 2016, the pre-tax NAV remained steady at $1.49.

The Investment Manager has recently noted:

"The economic recovery in China, continuing strong growth in most of Asia and ongoing improvements in Europe are most encouraging. There has been an evident change of heart by investors with a willingness to leave the 'certainty trades', and to look further afield. We sense there is a move afoot towards real or inflation assets and away from financial/safety assets, like bonds. Dispersion between the best and the worst performers is starting to widen. We are very comfortable with our positioning for the coming months."

Finally

The long-term performance of the Company continues to endorse the investment philosophy, process and expertise of the Investment Manager. Accordingly I wish to express my appreciation of the work done by Kerr Neilson, Andrew Clifford and their team over the last year.

Bruce Coleman
Chairman
27 October 2016