Chairman's address to the Annual General Meeting on 6 November 2009

Listing Rule 3.13.3

Introduction

I will discuss the Company's Performance, Dividends and the Outlook for 2009-2010.

Performance

The operating profit after tax for the year ended 30 June 2009 was $126m (2008: $162m) a decline of 22%.

The diluted EPS (earnings per share) for FY 2009 was 21.6 cents compared to 27.6 cents for the previous year.

The reduction in operating profit was owing to:

- a decline in performance fees from $28.7m in 2008 to $6.1m in 2009. Performance fees are volatile, largely in line with absolute investment returns; and

- a decline in management fees from $238.5m in 2008 to $187.4m in 2009.

The Company earns management fees as a percentage of Funds Under Management, or "FUM" in industry jargon. FUM fell over the FY 2009 year, from $14.995 billion to $13.965 billion. The reduction in FUM reflects investors withdrawing $2 billion during the Global Financial Crisis, income distributions to investors of $1 billion at 30 June 2009 and mitigated by a positive investment performance of $2.2 billion.

FUM at 31 October 2009 was $15.724 billion, with positive investment performance being accompanied by net new money inflows.

Costs in FY 2009 fell from $44.4 million to $38.0 million.

Remuneration matters

On 17 June 2009, the Remuneration Committee granted options to key employees, with a view to the longer-term interests of the Company.

Previously, on 22 May 2007, the Remuneration Committee had granted 27,010,467 options. Since then, there has been a cumulative forfeiture of 10,462,650 options. The cumulative amount of options on issue at 30 June 2009 is 25,331,022. This is fewer than the number of options outstanding at the time of the Company's IPO.

The Committee also instituted a medium-term incentive plan for investment analysts, again as a means of securing their services in the future.

Full details are contained in note 7 to the financial statements on pages 51 – 54.

In response to a question submitted by the Australian Shareholders Association, I would like to address the issue of the pricing of these FY 2009 options.

In setting the strike price, the Directors had it in mind to provide sufficient incentive to the grantees to commit their long-term futures to Platinum. The intent is for employees to participate in the Company's success and to provide them with a very real opportunity cost should they choose to leave.

The strike price of the options was set at $4.50 with a 4-6 year exercise period. At the time, the PTM share price was $4.10. In determining the option price the Directors sought input from the majority of shareholders (excluding the grantees).

Other factors considered were:

1. In June 2009 the PTM share price had recovered to $4.10, a lift of 49% from the a low of $2.75 in July 2008;

2. Platinum net fund flows continued to be negative as Investors withdrew their monies; and

3. Internal analysis suggested that the $4.50 strike price was on a trailing PE of 21.

Following the options grant, the share price retreated to $3.82 in July. From there the share price rallied, along with the market generally, to peak at $6.23 in October. The market has since fallen and the price was $5.56, as of yesterday. This represents a trailing PE of 25.7.

Dividends

As a financial service provider with limited capital requirements, there are at present relatively small needs for high profit retentions. Owing to the volatility of revenues, the Directors intend to smooth Dividend payments and plan to pay out 80% to 90% of net profit after tax.

Dividends in respect of FY 2009 year total 20 cents per share (compared to 24 cents per share for FY 2008). This was at the top end of the payout ratio band. The two dividends were fully franked.

Outlook for 2009-2010

The world's stock markets bottomed around February 2009, after having fallen quite heavily. Few listed companies have been spared in these wild markets.

The investment performance for Platinum's clients has been good both on a relative and absolute basis.

Our flagship fund, the Platinum International Fund (PIF), has returned +20.60% against the MSCI's -10.72% [and the ASX S&P 200's 3.11%] for the year to 30 September 2009. The investment out performance against the MSCI is commonly termed alpha. For this annual period PIF recorded an exceptional alpha of over 31%.

The majority of our competitors are typically reporting negative returns of 10 to 30% for the same period.

To get a measure of the durability and efficacy of the process may I direct you to the ten-year returns. In the last 10 years in A$ terms the MSCI compounded at -1.45% per annum. By contrast the flagship Platinum International Fund, compounded by +12.59% per annum. Over this period PTM Alpha exceeded 14% pa. compound. Incidentally, the returns from our regional and other specialist funds show a similar pattern of superior alpha returns.

As shareholders we can take comfort from this excellent performance as it reinforces our belief in the investment methodology and philosophy of Platinum. It also shows that it is an all-weather approach to investing. For this reason, I believe the Platinum investment management franchise remains very strong.

With this in mind, we continue efforts to identify opportunities to service like-minded professional or institutional investors.

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At last year's AGM I outlined our strategy to seek mandates in the professional sector, both in Australia and globally.

Australian Superannuation assets currently total in excess of $1.2 trillion and are forecast to grow to $7 trillion by 2028. On the basis that approximately 20% is allocated to global equity investment mandates, this presents opportunities for Platinum.

The outstanding investment performance recorded by Platinum over the past year of the GFC has further enhanced our credentials.

At same time, I cautioned that winning professional mandates would be a slow process and this has proven to be true. These organisations tend to be very thorough in their selection process, and, it has been our experience that they generally wish to have several face-to-face meetings over a protracted period in addition to the meetings we have with their consultants.

We are confident that our time-tested investment approach and good performance presents a compelling case for thoughtful investors.

It is noteworthy that a number of existing institutional clients, have been increasing their allocation to Platinum.

We have also won three new mandates from superannuation funds in the last 12 months.

The hurdles we face with some consultants includes their rather narrowly defined mandates. Platinum, as a long equity manager that seeks to minimize downside risk, does not easily populate their more narrowly defined classifications.

Even when the Asset Consultants understand and accept the investment process, they may still object to our fee proposal. Platinum does not discount its fees.

We remain as convinced as ever that consistent alpha generation is a scarce resource / skill and should be priced accordingly, in both the retail and professional markets.

As I indicated earlier in the past year, Platinum International Fund (PIF) delivered alpha of 31% and, over the past decade, alpha generation was 14% per annum compound; both of which are net of fees.

To consider that in terms of compound investment returns; if you had invested $100,000 10 years ago and received the market or index return [i.e. beta] you would now have $86,400. If you had invested with Platinum, you would have $327,196; the excess return [i.e. alpha] over the market return [or beta] is $240,796.

As a consequence we believe the fee discussion confuses the issue of scarcity. We acknowledge that commodity returns should earn commodity rewards. (Here we use a 5 year rolling returns net of fees as an appropriate measure).

Our only point of fee compromise is to allow investors to pay for alpha, when it is delivered via a performance fee approach with a lower nominal management fee.

The mediocre performance of many active investment managers is now being recognised by Asset Consultants. As a consequence equity portfolios are increasingly being constructed on a barbell approach. Simply stated, it entails combining a large component of low fee indexing with an active component of high conviction, high tracking error manager with higher fees often related to investment performance.

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Through this manager reconfiguration process, Trustees are able to achieve the goal of lower total investment manager fees with the prospect of significantly better than index performance.

The debate on active investment management fees needs to be refocused away from the absolute level of fees themselves to the level of alpha generated by active managers net of fees.

This recent remixing of investment manager combinations should bode well for Platinum winning high conviction global equity benchmark unaware mandates.

The use of performance fees so alpha is paid for only as delivered maybe the common ground for a solution

The Platinum business model continues to have high operational leverage to resurgence in global equity markets and positive fund flows because of its low and relatively fixed cost structure.

However, markets continue to be challenging and investors remain wary and investors have solace in government guaranteed cash alternatives.

Platinum, in its most recent Quarterly Investment Report to clients notes that it is "it is likely to be several years before the consequences of the credit crisis have fully played themselves out".

The net profit before tax for the 3 months to 30 September 2009 was $53.2 million compared to $50.7 million for the same period last year.

For the full 2010 financial year, we remain cautious and recognise that markets remain volatile. Costs are generally tracking predictably; the unknown factors are investment performance, funds flow and FUM. Consistent with our policy the Board does not offer earnings guidance or forecasts.

Conclusion

The Board's highest priority has been to ensure that the focus of the investment management team continues to be exclusively on our primary goal of making money for our investors.

To this end, the Board through the work of the Remuneration and Audit Committees has assisted in refining the incentive reward structure and compliance processes. I would like to thank my fellow Directors, Margaret Towers and Bruce Coleman for their assistance over the period.

The investment team led by Kerr and Andrew Clifford are to be congratulated for their outstanding efforts over the year in very difficult global equity markets. They have been well supported by all the other Platinum staff.

M Cole
Chairman

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