Platinum
CAPITAL LIMITED

Chairman's Address to the AGM on 26 October 2017

Listing Rule 3.13.3

Introduction

Good morning ladies and gentleman and welcome to the 2017 Annual General Meeting of Platinum Capital Limited ("**PMC**" or the "**Company**").

I will now move on to my address. As is our practice, I will concentrate on a number of key issues that have impacted on the Company, namely the Company's investment performance and financial results for the year ended 30 June 2017, dividends, capital management, the performance for the first three months of the 2018 financial year and the Company's outlook.

Investment Performance and Financial Results for the 2017 financial year

In the 2016 Chairman's Report, I noted that there would be short-term periods where returns are below benchmark. This is because the Company's portfolio is structured quite differently to that of its benchmark index, due to the Company's investment philosophy and process.

I am pleased to report that for FY 2017, the Company turned around this short-term underperformance, validating the Investment Manager's well-tested value-driven style, which is doggedly index agnostic and frequently goes against the crowd.

For the year ending 30 June 2017, the Company's NTA increased by 19.8% pre-tax in $A terms. The benchmark, the Morgan Stanley Capital International (MSCI) All Country World Net Index in $A, delivered a return of 15.3% for the same period. The Company comfortably outperformed the benchmark, during this period whilst maintaining a net equity exposure on average of approximately 80%, due to the Investment Manager's downside protection philosophy. The comparable return from the Australian All Ordinaries Accumulation Index was 12.8%, over the same period. It should be noted that the Company's returns are calculated after the deduction of fees and expenses and assume the reinvestment of dividends.

The key drivers of the Company's performance were companies in the Asian region, led by Information Technology and Financials. The Company has continued to heavily favour companies in Asia, especially China and India, over those in the United States. At 30 June 2017, the Company had more than 37% net equity exposure to Asia versus only about 4% net equity exposure to the US.

Since inception (in 1994) and until 30 June 2017, the compound annual appreciation of the Company's NTA has been 12.4% per annum compared to the return from the MSCI All Country World Net Index in $A of 6.7%. The comparable compound annual return from the Australian All Ordinaries Accumulation Index was 9.1% over the same period.

The Board believes that the Company's long-term track record demonstrates the success of the investment philosophy and process of the Company's Investment Manager.

For the year ended 30 June 2017, the Company made a statutory pre-tax operating profit of $71.1 million and a post-tax operating profit of $49.9 million. For the prior year, the pre-tax operating loss was $26.8 million and the post-tax operating loss was $18.8 million.

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Under Australian Accounting Standards, realised profits and losses are added to, or reduced by unrealised 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.

The Directors continue to maintain that a more appropriate measure of the Company's results is the percentage change in its pre-tax NTA plus dividends paid. On this measure, the Company has achieved a return of 19.8% for the 12 months to 30 June 2017.

Investment performance for the first three months of the 2018 financial year

I am pleased to announce that for the first three months of the 2018 financial year, our strong investment performance has continued.

The pre-tax NTA increased from $1.63 per share at 30 June 2017 to $1.69 per share at 30 September 2017. This is after the payment of the 6 cents per share fully franked dividend that was paid out in September 2017.

For the first three months of FY 2018, the Company's NTA increased by 7.1% pre-tax in $A terms against the return of its benchmark, the Morgan Stanley Capital International (MSCI) All Country World Net Index in $A, which delivered a return of 2.8% for the same period. This represents an outperformance of 4.3%.

Dividends

As mentioned earlier, a fully-franked dividend of 6 cents was paid for the year ended 30 June 2017, making 10 cents for the full year, representing an increase of 3 cents from the previous year.

Based on the 30 June 2017 share price of $1.685, this represents a dividend yield of 5.9% or 8.5% including franking credits.

Since inception in 1994, the average franked dividend yield is 6.5% per annum or 9.3% including franking credits.

The Board remains committed to its policy of dividend smoothing, and endeavours to ensure that there are sufficient franking credits available to pay fully-franked dividends. The ability to generate fully-franked dividends will continue to be dependent on the Company's ability to generate realised profits and pay tax.

To the extent that any profits are not distributed as dividends, the Company has a policy, where it may set aside some or all of its undistributed profits to a separate dividend profit reserve, to facilitate the payment of future fully-franked dividends. The benefit of the dividend profit reserve for the Company is that it will have a pool of undistributed profits available for distribution, subject to the balance of the franking account.

I can confirm that for the year ended 30 June 2017, the Company is not affected by any changes in the small company tax rate and distributed franking credits at a tax rate of 30%, because the Company's turnover for the year exceeded the $10 million threshold.

Capital Management

In February 2017, the Board amended the Company's non-binding capital management policy in order to have greater flexibility in managing the Company's capital structure, in response to changing market conditions and risks, with the sole aim of enhancing shareholder value.

The Company's capital management policy is as follows:

The Board will give active consideration, as appropriate, to enhancing shareholder value through:

- the management of the level of dividends to shareholders;
- the issue of shares by methods including rights offers, share purchase plans or placements; and/or
- the use of share buy-backs.

A number of capital management initiatives pursuant to the policy were conducted during the year.

In March/April 2017, the Company successfully completed a Placement to sophisticated and professional investors, raising gross proceeds of approximately $53.5 million, in response to strong demand from institutional investors.

In addition, the Company offered a Share Purchase Plan (SPP) to eligible shareholders and the SPP raised gross proceeds of approximately $16.6 million.

The aggregate gross proceeds of $70.1 million raised, increased the Company's capital in terms of dollar value by 22.7%.

Other Corporate Governance matters

As shareholders would be aware, the Company's funds are ultimately managed by Platinum Investment Management Limited through two key agreements previously approved by shareholders: the Investment Management Agreement and the Administration 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. Accordingly, I am confident in the integrity and reporting of the Company's financial results to shareholders.

Outlook for the rest of the 2018 financial year

As noted earlier, for the first quarter of the 2018 financial year, the pre-tax return increased by 7.1%, resulting in relative out-performance of 4.3% in comparison to the benchmark.

At 20 October 2017, which is the most recent weekly NTA released to the market, the pre-tax NTA increased to $1.73.

The Investment Manager has recently noted:

“We are delighted to witness a more normal distribution of performance across markets, as represented by the MSCI indices, with the action no longer being dominated by the US component. PMC’s portfolio has clearly benefited from this as well as from the diminution of the ‘duration-seeking’ or cyclical aversion that characterised the period from 2011 to 2016.

Most pleasing of all was that in each geographic area, the funds invested have achieved higher returns than the host market. Consequently, we have been able to add considerable value as a fund manager – ironically, just as the discussion around passive management seems to have reached a climax!”

<u>Finally</u>

The 12 month performance to 30 June 2017 and the performance of the Company since 30 June 2017 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 at Platinum over the last year.

Bruce Coleman
Chairman
26 October 2017

Note: The pre-tax NTA returns are calculated on net assets after the deduction of fees and costs, taking into account capital flows (primarily from the placement and share purchase plan) and assume the reinvestment of dividends. Returns have not been calculated using the Company’s share price. Past performance is not a reliable indicator of future results. Figures are subject to rounding. Source: Platinum Investment Management Limited, MSCI Inc.