

## Chairman's address to the AGM on 26 October 2011

### Listing Rule 3.13.3

#### Introduction

I will concentrate on the key issues of concern to shareholders, namely the Company's recent Investment Performance, Remuneration, important Corporate Governance issues, Dividends, and the Outlook for 2011-2012.

#### Investment Performance

Firstly, Platinum Capital's investment performance for the 2010-11 year was disappointing.

For the year ending on 30 June 2011, the Company's net asset value decreased by 6.1% pre-tax and by 5.9% after allowing for all tax liabilities, both realised and unrealised. In comparison, the benchmark Morgan Stanley Capital International World Index (MSCI) increased by 2.7% for the 12 months.

The result for last year can be compared to the compound annual outperformance of the Company's assets on a pre-tax basis against the MSCI of 10.3% over the last three years during volatile times in equity markets globally.

Further, the returns and performance over the longer-term have been much more satisfactory. Since its inception in 1994, the compound annual appreciation of the Company's assets on a pre-tax basis has been 12.4% compared to the return from the MSCI of 4.3%. The comparable return from the Australian All Ordinaries Accumulation Index has been 9.4% annually over the same 17 years.

The long-term and medium-term out-performance of both the World Index and of the Australian Index, demonstrates that the Company can achieve positive returns over time, despite periods of difficult and challenging global markets.

#### Accounting Standards

As outlined to shareholders previously, 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 reported profits from any one year to the next.

In the opinion of your Directors, a more appropriate measure of the Company's results is the change in its net asset value adjusted for dividends.

#### Remuneration matters

Turning to remuneration matters, we note the high proportion of proxy votes recorded against the Remuneration Report (which will be discussed under resolution 2 shortly).

We draw your attention to the fact that the Remuneration Report for the Company refers to only three employees, namely the Non-Executive Directors. Their salaries range between \$50,000 and \$55,000 per annum. Comparable companies in our sector pay their NEDs 35-75% more than Platinum Capital. Further, there has been no increase in remuneration paid to Platinum Capital's Non-Executive Directors since 2003.

## Corporate Governance

Now dealing with an important corporate governance matter... As shareholders would be aware, Platinum Capital's funds are managed by Platinum Asset Management. As both companies have common executives, and to ensure the affairs of the Company are managed with appropriate corporate governance, shareholders of Platinum Capital have put in place strong representation of independent directors on the Board.

In the past year, the independent directors are pleased to report they have continued to monitor the performance of the Investment Manager with the full and transparent co-operation of Platinum Asset Management and its management team, and are accordingly confident in the integrity and reporting of the Company's financial results to shareholders.

## Dividends

Another important issue for shareholders is the matter of dividends. A fully franked final dividend of 1.9 cents per share was paid on 1 September 2011, making 5.9 cents per share for the full year. This represents a disappointing reduction from last year, in which 10 cents per share was paid for the corresponding twelve months. This reduction has been caused by the current year annual loss and the impact of this loss on the level of retained earnings. It is not practical or efficient to pay beyond 1.9 cents per share as this would represent a payment out of capital with no attached franking credits.

The Company has now distributed nearly all of its retained earnings. As a consequence, future dividend payments will be dependent on future earnings.

## Outlook for 2011-2012

In the first three months of the 2011-12 year, the Company's net asset value was down 8.5% after tax to a level of \$1.08 per share post tax. As at 20 October 2011, the net asset value was \$1.05 post-tax which is down 11.5% from 30 June 2011.

To quote directly from the Investment Manager's latest Quarterly Report,

"In this age of retrenchment, the rallying slogans of the bull market will gradually recede. Instead it will be a world of earnings revisions that are more likely to be down than up. The promise of the emerging markets, while somewhat clouded for now, can in due course be expected to be brightened by their superior growth credentials. While not an easy environment in which to manage money, historically we have found reality an easier partner than fantasy.

Even if the economic outlook is dull, investing is all about determining the appropriate valuation of a company in that environment. After recent price falls there is now a large selection of companies that are inexpensive."

## Finally

I wish to express my appreciation of the efforts of all the people at Platinum over the last year.

In particular, Malcolm Halstead retired as Finance Director and Company Secretary during the year and was replaced by Philip Howard. Malcolm had held these positions since the inception of the Company in 1994. On behalf of the Board and our shareholders, I thank Malcolm for his significant contribution.

Bruce Phillips  
Chairman  
26 October 2011

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