



## Chairman's Address

### To the 11<sup>TH</sup> Annual General Meeting Friday, 28th October 2005

#### Listing Rule 3.13.3

##### *Introduction*

I will initially discuss the Company's investment performance, briefly touch on Corporate Governance, confirm the Directors' policy on dividends and finally comment on the outlook for 2005-2006.

"Lacklustre" perhaps best describes Platinum Capital's performance in the 12 months to 30 June 2005. During the year, the net asset value decreased by 1.5% pre-tax and by 0.9% after allowing for all tax liabilities both realised and unrealised. For a comparison the benchmark Morgan Stanley Capital Index rose 1.6% for the 12 months. The Manager has reported that in essence "Analysis of the key components reveals that currencies and the weighting of the disposition of the Company's assets were the culprits".

Whilst short term results may be disappointing the long term results are more than satisfactory. Since its inception in 1994 the annualised appreciation of the Company's assets on a pre-tax basis has been 16.3% compared to the return from the MSCI of 6.9%. The comparable return from the Australian All Ordinaries Accumulation Index has been 11.3% annually over the 11 years.

In the latest quarter to the 30th September the Manager reports the portfolio had "had a nice change of pace, with several of long-standing themes springing to life, and some of the more recalcitrant holdings beginning to gain traction".

In the latest quarter to the 30th September the Company's NAV was up 8.0% after tax and by 11.1% on a pre tax basis. This compares to a 7.4% increase for the MSCI.

Platinum Capital's Net Asset Value at 30th September was \$1.6943 per share post tax and to the 25th October it is \$1.6705.

The latest Quarterly Report of the Manager gives the detail of the most recent performance.

##### *Corporate Governance*

The 2005 Annual Report is the last prepared under Australian Accounting Standards using historical cost accounting principles.

The impending application of International Accounting Standards will see the Half Yearly Report as at 31 December 2005 prepared under a "mark to market" methodology. The Annual Report to 30 June 2006, and thereafter, will be similarly prepared. Under the new International Accounting Standards recorded profits or losses will be much more variable.

As changes in the market value of the Company's total assets are reflected through the profit and loss account, reported profits could look very unstable. Sometimes, let us hope, such erratic movements will be upwards rather than downwards.

It is, however, now more true than ever that the longer term movement of asset values, combined with the flow of dividends, is a better measure of the performance of a listed investment company, such as Platinum Capital, than necessarily more volatile day by day, quarter by quarter or even year by year fluctuations.

#### *Dividends*

A fully franked final dividend of 10 cents is recommended, making 15 cents for the full year. Your Directors' policy of smoothing dividend payments over time continues, shareholders will realise that this is a policy not a guarantee.

#### *Outlook for 2005-2006*

The Manager reports that "they are still finding a broad range of stocks that they wish to own. The valuations of the holdings have risen but are still at justifiable levels. To ameliorate the risks of nasty surprises, they are holding large short positions in stocks and indices that they regard as expensive or over-stretched.". The Manager notes that, one of the big unknowns is how well the developing markets will behave should high energy prices and other setbacks adversely affect consumer confidence and spending intentions in the leading economies of this cycle. The US, together with the UK, Australia and Canada are in the late or mature phase of this economic cycle while Germany, France and Japan, among the large economies, are trailing in their recoveries. They believe that inflation pressures are growing and that the higher cost of hydrocarbons still has to be reflected in final prices".

#### *Finally*

I would like to express my appreciation of the efforts of the Manager along with those of my fellow Directors and in this context, the Audit Committee under the Chairmanship of Peter Clarke needs to be acknowledged.