

## **Chairman's Address to the AGM on 1 November 2017**

Listing Rule 3.13.3

### Introduction

Good morning ladies and gentlemen and welcome to the 2017 Annual General Meeting of Platinum Asia Investments Limited ("**PAI**" or the "**Company**").

I will now move on to my address. 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 and performance for the first quarter of the 2018 financial year.

### Investment Performance and Financial Results for the 2017 financial year

This year has been much more positive than last.

For the year ending 30 June 2017, the Company's pre-tax Net Tangible Assets ("NTA") increased by 20.2%, after fees and expenses. The benchmark Morgan Stanley All Country (MSCI) Asia ex Japan Net Index in \$A delivered a return of 23.0% for the same period.

Positive contributions came from those key sectors that make up half of the Company's portfolio (Financials, Information Technology and Consumer Discretionary), whilst on a geographic basis, the three major markets of China, Korea and India performed strongly.

Since inception (in September 2015), the compound annual appreciation of the Company's net assets on a pre-tax basis has been 8.0% per annum compared to the compound annual return for the same period from the MSCI Asia ex Japan Net Index in \$A of 12.2%.

For the year ended 30 June 2017, the Company made a statutory pre-tax operating profit of \$55.5 million and a post-tax operating profit of \$39.2 million. In the prior year, the Company made a statutory pre-tax loss of \$12.8 million and a post-tax loss of \$9.0 million.

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 maintain that a more appropriate measure of the Company's results is the percentage change in its pre-tax NTA. On this measure, the Company has achieved returns of 20.2% for the 12 months to 30 June 2017.

### Performance for the first quarter of the 2018 financial year

I am pleased to report that for the first quarter of the 2018 financial year, our investment performance has continued to improve. This provides further evidence of the Manager's view that China, where over half of the portfolio is invested, remains remarkably attractive from an investment point of view.

The pre-tax NTA per share as at 30 September 2017 was \$1.17, which represents a return of 8.8% for the three months in comparison to the return from the MSCI Asia ex Japan Net Index in \$A of 4.2%. This translates to an outperformance of 4.6% in just three months. A great result.

What is pleasing is that based on the 30 September 2017 returns, the Company has now also outperformed the benchmark for the 3, 6 and 12 month periods. The return of the Company for the 12 months to 30 September 2017 was 23.0%, in comparison to the return of its benchmark of 19.7%.

### Shareholder Returns

I am pleased to report that for the 12 months to 30 June 2017, the Company's share price increased by 14.7%. This, most likely, has been driven by the strong investment performance generated over the last 12 months. The Directors also believe that the commencement of fully-franked dividend payments to shareholders may enhance the appeal of the Company to investors.

I note that since 30 June 2017, PAI's share price has strengthened further, which is gratifying given the strong absolute and relative performance of the investment manager.

To fully inform investors, PAI publishes weekly and monthly calculations of its NTA backing per share and publishes performance reports on a monthly and quarterly basis. This provides investors with the information that they need to determine if they wish to take advantage of any prevailing discount (or premium) to the pre-tax NTA backing per share.

### Dividends

The Company generated sufficient gains in FY 17 and as a result the Board was pleased to declare a fully-franked final dividend of 1 cent per share.

The pool of available franking credits constrained the quantum of this dividend.

As the Company matures, the Board aims to deliver a consistent stream of fully-franked dividends to shareholders over time, whilst maintaining its policy of dividend smoothing subject to future earnings, cash flows, franking credits and accounting profits.

As noted last year, the Company has a policy, where it may set aside some or all of its undistributed profits to a separate dividend profit reserve.

This facilitates the payment of fully-franked dividends in the future, subject of course, to the availability of franking credits.

I can confirm PAI was not affected by any changes in the small company tax rate and PAI was able to distribute franking credits at a tax rate of 30%, because PAI's turnover for the year ended 30 June 2017 exceeded the \$10 million threshold.

### Capital Management

During the year, the Board formulated its capital management policy, which is as follows:

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

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

### Exercise of Options

I note that all remaining PAI options expired on 15 May 2017. In total, \$66.2m was raised from the exercise of options, and this increased the Company's shares on issue by 22.6%.

### Corporate Governance

As shareholders would be aware, PAI'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 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 three months of the 2018 financial year, the Company's pre-tax return was 8.8%, based on a pre-tax NTA of \$1.17 at 30 September 2017 and PAI outperformed its benchmark by 4.6%.

At 27 October 2017, which is the most recent weekly NTA released to the market, the pre-tax NTA has increased to \$1.25.

The Portfolio Manager has recently noted, and I quote "...It is difficult to convey the sense of energy and vibrancy that we experienced during our recent field trips to China, and the range and pace of activity that we observed taking place there.

We are confident that China's investments in education, infrastructure and innovation are driving real productivity growth which will translate into higher income and stronger consumption, sparking a virtuous cycle of growth for years to come.

The level of concern over China's debt problems has subsided, and investors have shown more enthusiasm. In the short-term, the market may consolidate around these current levels to digest the recent advances. Looking further afield, we are positioning the Company's portfolio to be exposed to a wide range of private Chinese companies across industries that are swiftly climbing up the technological ladder."

Finally

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.

I wish to express my appreciation of the work done by Dr Joseph Lai and the investment team over the last year and thank Kerr Neilson, Andrew Clifford, and their broader Platinum team.

Finally, on behalf of the Board, I thank shareholders for their support.

Bruce Coleman  
Chairman  
1 November 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 exercise of options) 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, Rimes Technologies.