

## **Chairperson's Address to the AGM on 6 November 2019**

Listing Rule 3.13.3

### Introduction

Good morning ladies and gentlemen and welcome to the 2019 Annual General Meeting of Platinum Asia Investments Limited (“**PAI**” or the “**Company**”).

My address will focus on a number of key issues that have impacted the Company.

### Investment performance and the financial results for the 30 June 2019 financial year<sup>1</sup>

The Company's overall investment return for the 2019 financial year was negative 0.05%, measured by its pre-tax net tangible assets (“**pre-tax NTA**”) (i.e. after fees and expenses, adjusted for corporate taxes paid and any capital flows, and assuming the reinvestment of dividends). This headline return occurred against a backdrop of significant volatility across Asian markets. The 12-month investment return was directly impacted by the financial reforms in China and the economic slowdown caused by the tightening of credit. The investment return was further impacted by the US-China trade war and the resulting global risk aversion that was a theme of global markets, for the 12 months to 30 June 2019.

This global risk aversion was characterised by the bifurcation of global markets (including Asian markets), resulting in an extreme divergence in share price values between so-called “growth” stocks and “value” stocks.

The 2019 financial year can be broken down into three distinct investment performance periods, as measured by the Company's pre-tax NTA.

Firstly, the first four months to 31 October 2018, where the Company's investment return was negative 10.1%. During this period, the Chinese stock market was adversely impacted by evidence of China's economic slowdown. This was further exacerbated by the strong US dollar, rising interest rates and ongoing US-China trade tensions.

Secondly, the next 6-month period to 30 April 2019, where the Company delivered an investment return of 13.6%. During this period, the Company's long holdings performed well and economic indicators in China improved.

Finally, during the last two months of the 2019 financial year, global trade tensions were reignited again causing the portfolio to lose 2.3% during this period.

Platinum<sup>2</sup>, the Company's investment manager, seeks to identify companies whose businesses and growth prospects are inappropriately valued by the market. In Platinum's opinion, valuations of Asian stocks with good prospects are currently very attractive and Platinum has been seeking to take advantage of this.

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<sup>1</sup> Source: Platinum Investment Management Limited (PAI returns) and FactSet Research Systems (MSCI returns). Returns have not been calculated using the Company's share price. **Past performance is not a reliable indicator of future performance.**

<sup>2</sup> Platinum Investment Management Limited

Looking at investment returns over the longer term, specifically, since inception (in September 2015) to 30 June 2019, the Company's annualised compound return (measured by the Company's pre-tax NTA) was 8.5% per annum, compared with an annualised compound return of 10.7% for the MSCI All Country Asia ex Japan Net Index in A\$ terms for the same period. This has been achieved with some degree of built in downside protection.

#### Statutory accounts

For the financial year ended 30 June 2019, the Company made a statutory pre-tax operating loss of \$268,000 and a post-tax operating loss of \$158,000.

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 Board maintains that a more appropriate measure of the Company's performance is the percentage change in its pre-tax NTA. As mentioned, the Company's return was negative 0.05% for the 12 months to 30 June 2019.

#### Dividends

The Company declared a 2019 fully-franked final dividend of 2 cents per share, bringing the total dividends declared for the 2019 financial year to 4 cents per share. This represented a dividend yield of 3.9% based on the 30 June 2019 closing share price of \$1.03.

The ability of the Company to pay a fully-franked final dividend of more than 2 cents per share was constrained by the fact that the Company did not generate sufficient realised taxable gains for the 2019 financial year.

The Board has a policy of dividend smoothing and endeavours to ensure that there are sufficient franking credits available to pay fully-franked dividends in the future.

To the extent that any profits are not distributed as dividends, the Board may set aside some or all of the Company's undistributed profits to a separate dividend profit reserve to facilitate the payment of future fully-franked dividends, subject to the balance of the franking account.

The Company prefers not to pay unfranked dividends as unfranked dividends are taxed in shareholders hands, in effect, handing funds to the Government, which could otherwise be invested by the Company, with the aim of generating returns for shareholders.

#### Capital management

The Company did not engage in any capital raising activities during the 2019 financial year. The Board has a flexible capital management policy. This policy enables the Board to manage its capital in the most appropriate manner, in response to changing market conditions and risks, with the sole aim of enhancing shareholder value. This includes the management of dividends paid, the use of placements, rights issues and/or share-buy backs.

We note that the Company's share price, along with the share prices of many other LICs, is currently trading at a discount to its pre-tax NTA backing per share. We will continue to monitor this.

### Other corporate governance matters

The Company's investments are managed and administered by Platinum through two key agreements previously approved by shareholders: the investment management agreement and the administration services agreement.

During the financial year ending 30 June 2019, the Board continued to monitor the performance of Platinum and its adherence to the agreements with the full and transparent co-operation of Platinum and Platinum's management team. Accordingly, I am confident in the integrity and reporting of the Company's financial results to shareholders.

### Performance for the first quarter of the 2020 financial year and outlook for the rest of the 2020 financial year

For the first three months of the 2020 financial year, the Company's pre-tax NTA increased by 0.8%. It was a lacklustre quarter for Asian markets with the continuing trade dispute between the US and China sapping business confidence.

The most recent weekly pre-tax NTA per share as at 25 October 2019 was \$1.08.

Platinum has recently noted that *"...the Company has accumulated very attractive names that are exposed to the region's growth themes. The companies we have invested in are typically leaders in their respective fields, and are taking market share from competitors.....They are domestic-oriented businesses and are therefore less impacted by the trade war than export-facing businesses and we expect that they will continue to grow in the next three to five years, irrespective of the global economic environment."*

### Finally

On behalf of the Board, I wish to express our appreciation of the work done by Dr Joseph Lai and Platinum's investment team over the last year and I thank Andrew Clifford and the broader team at Platinum.

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

Margaret Towers  
Chairperson  
6 November 2019