

Chairman's Address to the AGM on 31 October 2013

Listing Rule 3.13.3

Introduction

I will discuss the Company's performance, funds raised during the year, dividends, corporate governance issues and the outlook for 2013-2014.

Performance

The Company has performed satisfactorily over the course of the financial year, given the prevailing uncertainty of global investment markets.

The three key variables that drive the profitability of the Platinum business model are: weighted-average Funds Under Management (FUM) growth, investment performance fees earned and expense growth.

Over the financial year, average FUM increased from \$16.0 billion to \$16.8 billion, a lift of 5%. Performance fees earned increased substantially to \$5 million from a low \$0.2 million in the previous year.

The majority of this performance fee was earned from a new global equity performance fee mandate, which is a significant Australian superannuation provider.

This new mandate was signed in October 2012 with a capital injection of approximately \$700 million.

Expense growth was well-contained to record a 3.6% increase.

These factors combined to generate a net profit after tax of \$129.1 million, compared to \$126.4 million in 2012. This represents an increase of 2.2%.

This translated to diluted earnings per share of 22.6 cents, compared to 22.5 cents in 2012.

Funds under Management ("FUM")

The opening FUM for the financial year was \$14.9 billion and this increased to \$19.8 billion at 30 June 2013.

This represents an increase of 32.9% year-on-year.

The major contributor to the increase in the closing FUM over the period was investment returns, which increased by approximately \$5.3 billion.

This strong investment performance occurred in the second-half of the financial year and the outstanding results across all Platinum Funds are a testament to the skill and expertise of the investment management team.

Platinum investment returns generally benefit from strong global equity markets and a fall in the performance of the Australian dollar.

By way of example, the flagship fund, Platinum International Fund (PIF), recorded a 37.3% return, which was an impressive 6.8% above the MSCI World Net Index in Australian dollars.

In the same period, the MSCI Index in US dollars was up 16.6% and the Australian dollar/US dollar declined 10.8%.

Capital flows decreased by \$0.2 billion and distributions were \$0.2 billion. This compares favourably to the previous corresponding period, where capital flows decreased by \$1.7 billion.

FUM at 30 September 2013 is at a healthy level of \$20.7 billion.

In the current financial year, investment management fees will be generated from an opening FUM level, which is over 30% higher than this time last year.

Funds Raised During the Year

During 2012-2013, the Company raised \$83.9 million as a result of staff exercising options that were granted in 2007 and 2009.

This has resulted in the Company issuing 16.8 million new shares in the Company toward the close of the financial year.

Since 30 June 2013, a further 340,000 shares have been issued.

In total, as a result of employees exercising options, the Company has issued 17.1 million shares and raised \$85.4 million in new capital.

The granting of options under an options plan that commenced at the time of the Company's listing on the ASX in 2007 has been successful in retaining the services of senior, highly qualified staff over an extended period of time.

The Board has given careful consideration as to how the Company can best use the funds raised from the issue of shares to the benefit of all shareholders.

One of the options that the Board is currently considering is the launch of a UCITS (Undertaking for Collective Investment in Transferable Securities) Fund, which will allow the Company to grow its business by building the Platinum brand name offshore and expanding our investor base outside Australia.

Dividends

A fully-franked dividend of 14 cents per share was paid on 23 September 2013.

A fully-franked dividend of 8 cents per share was paid on 18 March 2013.

The Directors are confident that future dividends will be fully-franked.

Whilst the Company has a Dividend Reinvestment Plan in place, it has not been activated or likely to be activated in the near term.

Additions to the Board

On 8 May 2013, the Company appointed two new Executive Directors.

Andrew Clifford was appointed to the role of Chief Investment Officer. Andrew is a co-founder of Platinum and his appointment reflected changes to the investment management team's structure implemented over the last two years.

Elizabeth Norman was appointed to the Board as Director of Investor Services and Communications. Elizabeth's appointment reflects the widening of Platinum's client base and reflects our greater commitment to supporting retail and institutional clients.

This is now appropriate for Platinum because it gives the Board greater oversight and understanding of all its business initiatives.

At the same time, the Board has reviewed its current governance arrangements to reconcile a majority of Executive Directors with good governance principles.

This has been achieved by amendments to the Board Charter and enhanced Board committee structure. As part of this process, the voting control of the Non-Executive Directors has been maintained.

Remuneration Matters

Despite the low “No” vote of less than 2% of total votes cast against the 2012 Remuneration Report at the 2012 AGM, the Company has taken the opportunity to fully explain the basis and structure of remuneration paid to its Key Management Personnel (“KMP”).

The Remuneration Report is presented on pages 21 to 32 of the Annual Report and I encourage all shareholders to read the report.

Key remuneration outcomes during the year were:

- 1) the Managing Director waived his right to receive a bonus in 2013 and this has been ratified by the Nomination and Remuneration Committee;
- 2) there has been no increase in base salary paid to any of the Key Management Personnel (KMP); and
- 3) only three out of the seven KMP received a bonus in 2013. The aggregate amount in bonuses paid to these three KMP was significantly less in percentage terms than the increase in investment returns by the Platinum Trust Funds or the increase in the Platinum Group’s Funds under Management.

The Board and its Committees

Both the Nomination and Remuneration Committee and Audit, Risk and Compliance Committee had a productive year dealing with a number of material issues that impacted the Company’s performance and compliance obligations.

The Nomination and Remuneration Committee now has an expanded responsibility to include Director nomination and review, in compliance with ASX Governance Principle 2.4.

Environment

Your Company remains carbon neutral by purchasing carbon credits to offset its carbon emissions.

Outlook 2013-2014

The profit before tax for the quarter ended 30 September 2013 was \$54.6 million, 28.5% higher than the previous comparable period’s \$42.5 million. The major contributor to this increase was higher management fees earned from an average FUM of \$20.6 billion, some 39% above the previous corresponding period.

FUM at 30 September 2013 was \$20.7 billion, compared to \$19.8 billion at 30 June 2013. This represents an increase of 4.9% since 30 June 2013 or 39.5% since June 2012. This pleasing result was driven by performance in the form of positive aggregate investment returns, which more than offset the net investment fund outflows.

The September quarter 2013 profit numbers do not include any estimate of performance fees. Accordingly, the annual profit result should not be projected on the basis of the first quarter’s performance. Whilst the performance fee for the current half-year cannot be finalised until calendar year-end, at the end of the September quarter the estimated performance fee contribution is less than 15 per cent of the underlying forecast pre-tax profit for the half-year.

Conclusion

Last year, I commented that significant progress had been made strengthening the investment team and its leadership. As a result, the investment performance has lifted markedly by over \$5.3 billion in the 2013 financial year. The investment growth contribution was broadly in line with the \$4.9 billion net uplift in total FUM after adjusting for distributions.

With regard to flows, these are now showing signs of improvement following stronger performance and the post-GFC environment. The current domestic and global economic policy settings also tilt the risk/return profile in favour of global equities as an investment class. With this in mind, together with our enhanced commitment to our retail and institutional clients, we continue to build our distribution strategy.

As Kerr Neilson will shortly explain, challenges are still being confronted, but our primary focus continues to be achieving the best performance outcome for investors. It is anticipated that continued sound performance by global equity markets offering well-diversified portfolio investment opportunities at the corporate level and anticipated downward pressure on the Australian dollar will assist in positive net fund flows into Platinum's investment products in the period ahead.

The interests of our shareholders continue to be best served by the Managing Director, Kerr Neilson, and the Chief Investment Officer, Andrew Clifford, maintaining a sharp focus on delivering the best performance outcomes for our investors. In this endeavour, they are well supported by all Platinum staff.

Finally, I would like to thank my fellow Non-Executive Directors, Margaret Towers and Bruce Coleman, for their assistance over the period.

Michael Cole
Chairman