

Chairman's Address to the AGM on 20 November 2019

Listing Rule 3.13.3

Introduction

I will discuss Platinum Asset Management Limited's (hereafter referred to **the Company**) financial results for the year ended 30 June 2019. I will also discuss dividends, remuneration matters, business development and the Company's outlook for 2019-2020.

Financial results

The 2019 financial year (**FY**) was a difficult one for the Company with investment returns for most of our managed funds and portfolios lagging the broader market for the 12 months to 30 June 2019.

The ongoing uncertainty in relation to the US/China trade war and the bleaker prospects for future economic growth caused investors in global equity markets to remain nervous, even as markets continued to appreciate in value. Investors generally reacted to these fears by favouring companies perceived to be immune from external events. The valuations of these companies also benefited from the continued rally in bond yields.

In contrast, value stocks and/or those with a degree of earnings cyclicalities were avoided by the majority of investors, and those stocks generally became cheaper.

Platinum¹ has always believed that attractive valuations should be the starting point for any investment decision. This growing divergence between growth and perceived safety on one hand and attractive valuation on the other, led to some short-term investment underperformance for Platinum.

This underperformance translated into lower fund flows, lower investment performance fees and a reduced investment contribution from the seed investments. As a result, earnings per share and dividends for the Company both declined.

Funds Under Management (**FuM**) at 30 June 2019 was \$24.8 billion, a decrease of 4% from the 30 June 2018 closing FuM of \$25.7 billion.

Average FuM for the 2019 financial year also declined by 4% to \$25.3 billion from an average FuM of \$26.4 billion for the prior financial year.

The reduction in FuM was driven by net fund outflows of \$246 million, together with the 30 June 2019 net cash distribution and other capital outflows of \$908 million, which were only partially offset by positive market returns of \$224 million.

For the 12 months to 30 June 2019, the total revenue and other income for the Company decreased by \$54 million (negative 15%) to \$299 million from FY2018. This was largely due to lower contributions from investment performance fees (\$22 million) and the seed investment portfolios (\$21 million). These two highly variable factors, which are dependent on investment performance and market conditions, combined to reduce overall profitability.

It can be noted the key revenue contributor of investment management fees declined by only 4% in line with the reduction in average FUM. Investment management fee margins remained constant.

Profit after tax attributed to shareholders decreased by 17% to \$158 million, and earnings per share were down 16% to 27 cents per share, from the prior financial year.

This fall in profits was also reflected in the share price, which likewise fell 16% in the year to 30 June 2019. Since the end of June, the share price has continued to drift lower, following relative investment under performance and net client outflows.

¹ Platinum Investment Management Limited

This should not come as a surprise. It is worth remembering that we were in a similar position only 30 months ago. Back then, in May 2017, the share price was also below \$5 reflecting a very similar story of poor investment performance and net client outflows.

However, as investment performance and consequently flows subsequently improved, the share price recovered, running up to over \$8 in just six months.

Our message for shareholders is simple, that is, the Company's share price performance is inextricably tied to the ability of our investment team to deliver strong investment outcomes for our clients.

Dividends

The Directors declared a 2019 final fully-franked ordinary dividend of 14 cents per share. This together with the interim fully-franked ordinary dividend of 13 cents per share, took total dividends for the 2019 financial year to 27 cents per share.

The Board has noted that over the past decade, it has consistently paid shareholders over 90% of the Company's profit after tax, as dividends. This is because the Company's capital requirements have been limited. The Board generally expects that most, if not all, future profits will continue to be distributed by way of dividends, subject to any capital requirements of the Company.

The Company does have a Dividend Reinvestment Plan in place. However, this has not been activated.

Remuneration matters

Included in the 2019 Remuneration Report on page 25 of the Company's 2019 Annual Report is a letter from the Chair of the Nomination and Remuneration Committee. I encourage all shareholders to read this letter, which outlines the remuneration policy of the Company.

As a result of negative weighted average 1 and 3 year investment performance and lower PTM revenue and profit for the 2019 financial year, the aggregate variable remuneration across the Company was significantly down from that of the 2018 financial year.

Andrew Clifford, elected not to receive any variable awards for the 2019 financial year and the two other executive KMPs, Elizabeth Norman (Director of Investor Services and Communications) and Andrew Stannard (Finance Director), both received reduced variable awards for the 2019 financial year, when compared to their awards for the 2018 financial year.

In accordance with good corporate governance principles, the Non-Executive Directors' fees for the 2019 financial year consisted of fixed cash amounts and superannuation contributions, and did not change from the 2018 financial year.

Business development

Over the last few years, Platinum has been working to substantially reposition its business to be more globally focussed and outward looking.

Specifically, during the 2019 financial year, Platinum established a new distribution office in London, with a team of three staff. This office is focussed on strengthening our distribution efforts in the UK and Europe, with a particular focus on our European investment vehicles, which were launched approximately four years ago and currently have approximately \$400 million in FUM. Our London team, with the support of our team in Australia, has been busy servicing our existing European client relationships, building new relationships and expanding our ability to access new European markets.

In addition, we have continued to lay our foundations in North America by leveraging our existing distribution relationship with Access Alpha. Our investment specialists and members of our

investment team have made several trips to the US this year and have met with a number of institutional prospects. Many of these meetings have been repeat meetings, and we are starting to gain traction.

We are strongly committed to the growth of our business offshore and recognise that the time-frame for leads to convert to actual investment of funds can be long and, as is always the case, is highly dependent on investment performance.

Closer to home, we have continued with our efforts to increase engagement with financial advisers and our direct clients. We have done this by delivering rich content to reassure our existing clients and advisors and to gain trust. We have also invested in extensive brand building across all media, and continued to evolve our direct client offering, given our unique and market leading share of around 76,000 direct investors.

Sale of shares by Kerr Neilson

In March 2019, Platinum's founder and former Chief Executive Officer, Kerr Neilson together with Judith Neilson, disposed of 60 million ordinary PTM shares by way of a fully underwritten private placement to institutional and professional investors, thus deepening the Company's institutional shareholder base. Kerr and Judith also undertook not to sell any further shares for a period of 12 months from the sale date.

Following the sale, Kerr Neilson retains voting control of approximately 43% of the Company's issued share capital. Kerr also remains on the Board and is an active member of the investment team.

Outlook for 2019-2020

At the end of October 2019, Platinum's FUM was \$24.6 billion, which represents a decrease of 0.7% from the 30 June 2019 FUM of \$24.8 billion, mainly caused by the lag effect of net fund outflows.

The Board does not provide earnings forecasts because of the uncertainty that surrounds both short-term stock market performance and investor sentiment.

However, it is appropriate to note that, absent a strong uptick in markets over the next five weeks, the Company is likely to receive little, if any, investment performance fee income.

Conclusion

In conclusion, the business remains resilient and is well positioned for future growth, both domestically and overseas. Platinum offers a highly differentiated investment style and maintains its unwavering focus on delivering strong, long-term investment returns for its clients.

Platinum also maintains its strong brand in the Australian retail market, and its business is both profitable and scalable with a strong dividend capacity and an unleveraged balance sheet.

In ending, I would like to thank my fellow Non-Executive Directors, for their assistance over the period and I would also like to thank shareholders for their continued support during these difficult markets - your support is much appreciated.

Michael Cole
Chairman
20 November 2019