Chairman's Address to the AGM on 6 November 2014

Listing Rule 3.13.3

Introduction

I will discuss the Company's performance, cost and remuneration matters, FUM, dividends, offshore developments, corporate governance issues and the outlook for 2014-2015.

Performance

The amount of money that we manage, so-called funds under management ("FUM"), is the key variable for the Platinum business model and an important determinant of our profit.

FUM is significantly influenced by performance of our individual funds and investment mandates.

The average amount of FUM increased from $16.8 billion to $22.3 billion in FY2014, an increase of 32.8%. Performance fees earned lifted substantially from $5.0 million to $27.4 million in FY2014.

These factors combined to generate a net profit after tax of $189.9 million (2013: $129.1 million), an increase of 47.1%. This translated to diluted earnings per share of 32.44 cents per share, compared to 22.58 cents per share in FY2013.

The Company has a strong balance sheet with few liabilities. Expenses have been closely monitored. The increase is largely explained by those costs that are linked to FUM growth and incentive payments. Staff costs were one key area of expense growth.

Corporate Governance

Last year I highlighted the adjustments to the management structure which expanded the responsibilities of Andrew in Investment Management and Liz in the non-investment area. This included their appointment to the Board as Executive Directors. The Non-Executive Directors welcomed these two appointments as it provided direct access to the key members of the management team. It also provided further mitigation to the key man risk of our founder, Kerr Neilson.

To ensure the continued control of the Board by Non-Executive Directors, an amendment was made to Board voting procedures so a minimum of 2 Non- Executive Directors was required for a vote to be passed. Thus if four executive directors and one Non-Executive Director voted for a resolution, it could be vetoed by the remaining two Non-Executive Director's votes.

This should be regarded as a fail-safe mechanism. Since ASX listing, every Board resolution has been supported unanimously by board members present at the meeting.

I regard a key function of my role as Chairman to ensure there is full alignment of the interests of the minority shareholders with the majority holding of the founding shareholders. On this point I can report the commitment of the founding majority shareholders to this principle has been exemplary.

Cost and Remuneration matters

The Nomination and Remuneration Committee reviewed the remuneration framework for the investment analyst team and approved the modification to the short-term incentive plan and introduction of a long-term incentive plan for investment analysts.

The long-term incentive plan is known as the profit share plan ("PSP"). The plan is confined to a select group of portfolio managers and analysts because they are the principal drivers of investment return and performance.

The PSP specifically rewards absolute and relative performance and long-term contribution to the business, by giving a select senior group of investment specialists a bonus equivalent to a small share of profit. The maximum annual profit share figure able to be distributed will not exceed 5% of profit before tax.

The PSP is a cash based plan paid annually if the performance hurdles are achieved. The Board, the Managing Director and CIO consider that PSP promotes the best alignment of the interests of all stakeholders. In terms of the motivation to generate strong investment returns over time it is considered superior to the issue of share options and was selected for that reason.

The Managing Director, Kerr Neilson again waived his right to receive any bonus in the 2014 financial year and elected to be excluded from the PSP. This has been ratified by the Nomination and Remuneration Committee.

There were no new options issued during the 2014 financial year. All outstanding options are now vested and are expected to be converted in the current financial year.

I must emphasise that the appropriate remuneration methodology for portfolio managers and investment staff is more art than science. At Platinum, we have evolved our process over a long period and we now believe the refined approach delivers the best alignment of the interests of all stakeholders.

It is important to recognise that despite overall staff costs and total costs increasing, costs as a proportion of revenue have actually fallen from 21.1% for FY2013 to 18.4% for FY2014.

Funds under Management ("FUM")

The opening FUM for the year was $19.8 billion and this increased to $22.9 billion at 30 June 2014. This represents an increase of 16.1% year-on-year. The major contributor to the increase in the closing FUM over the period was investment returns, which increased by approximately $3.5 billion. Net capital flows increased by $0.2 billion and distributions, net of reinvestments, were a negative of $0.5 billion. 2014 represents the 20th anniversary of Platinum. From a starting-point of a team of four investment professionals and a handful of support staff, Platinum now has a strong brand name and a reputation that is the envy of the financial services industry. This reputation has been achieved by staying true to Platinum's key objective – delivering above average returns and providing investors with superior performance. The company listed on the ASX in 2007 with majority ownership remaining with executive management and staff.

The flagship Platinum International Fund has appreciated 13.01% per annum compared to the return from the MSCI World Index of 5.60% since inception in 1995. The comparable return from the Australian All Ordinaries Accumulation Index has been 9.39% annually over the same period.

Platinum® ASSET MANAGEMENT

Dividends

A fully-franked dividend of 20 cents per share was paid on 23 September 2014.

A fully-franked dividend of 14 cents per share was paid on 17 March 2014.

The total dividend for the year is 34 cents per share and this represents a substantial increase from the previous 12 months, in which total dividends paid out were 22 cents per share.

The dividend payout ratio exceeded 100% as the dividend per share payment slightly exceeded the earnings per share. Directors felt that given the increased profit, the high level of cash carried by the Company, the upcoming change in corporate tax rate with reduced future franking, the continued conversion of options together with the very limited capital requirements, that it was appropriate to reward all shareholders with the higher dividend payment.

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.

Offshore Developments

At the 2013 Annual General Meeting (AGM), I mentioned that the Board was considering launching a UCITS (Undertaking for Collective Investment in Transferable Securities) Fund, an overseas domiciled fund that would allow Platinum to grow its brand name globally.

Due to ambiguity created by the existing Australian tax law regulating this offshore vehicle for global investors, management has taken a conservative position. It has decided against offering the opportunity to invest in the Fund to external investors at this time.

We are anticipating new legislation from the Australian Government to remove this uncertainty. A new Fund may be offered once this legislative ambiguity is cleared up. The Company has been involved with discussions with Government officials to ensure that industry concerns are heard loud and clear. We await developments on this front with keen interest and are confident of a positive resolution because of the bipartisan nature of political support for the proposed legislative amendments.

The Committees

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

Commitment to Climate Action

The Company continues to monitor its carbon usage. Carbon credits have been purchased by the Manager to offset any material carbon emissions made by the Company, for electricity usage and travel, for the purposes of stock research, conducted by the investment analysts.

Outlook 2014-2015

The profit before tax for the quarter ended 30 September 2014 was $75.1 million, as compared to the previous comparable period's at $54.6 million. The major contributor to this increase was higher management fees earned from an average FUM of $23.8 billion, some 15.3% above the previous corresponding period.

The September quarter 2014 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.

FUM at 30 September 2014 was $24.2 billion, compared to $22.9 billion at 30 June 2014. This represents an increase of 5.6% since 30 June 2014 or 22.6% since June 2013. This pleasing result was driven by performance in the form of positive aggregate investment returns.

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 10 per cent of the underlying forecast pre-tax profit for the half-year.

Conclusion

In the 2014 financial year, investment performance contributed a $3.5 billion lift to FUM growth which exceeded the net growth in total FUM of $3.2 billion after adjusting for net new fund flows and net distributions.

It is encouraging to report net fund flows turned positive in the first half of calendar 2014. Net new fund flows have continued to strengthen in the current financial year.

The present domestic and global economic policy settings tilt the risk/return profile in favour of global equities as an investment class. We continue to build our distribution strategy with an enhanced commitment to our retail and institutional clients.

It is anticipated that continued sound performance by global equity markets offering a well-diversified portfolio of company investment opportunities together with the downward pressure on the Australian dollar will further assist in positive net fund flows into Platinum's investment products in the year ahead.

Any further weakness in the $A will generally enhance the $A value of the Platinum FUM as the level of $A hedging in the funds has traditionally been low. The resulting expansion at the FUM level will lift investment management free generation and profitability.

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