

## **Chairperson's Address to the AGM on 27 October 2020**

### **Statutory accounts**

The Company made a statutory pre-tax operating profit of \$55.3 million and a post-tax operating profit of \$38.6 million for the financial year ended 30 June 2020. The profit is a direct result of the outstanding investment returns achieved for the year ended 30 June 2020.

However, the Board maintains that a more appropriate measure of the Company's performance is the percentage change in its pre-tax net tangible assets or "pre-tax NTA". The pre-tax NTA is after fees and expenses, adjusted for corporate taxes paid, capital flows, and assumes the reinvestment of dividends.

### **Investment performance and the financial results for the 30 June 2020 financial year<sup>1</sup>**

Based on pre-tax NTA, the Company's overall investment return for the 2019/2020 financial year was 14.6%. This investment return is very pleasing, in both an absolute and relative sense when compared to the 3.6% return of the MSCI AC Asia ex Japan Net Index (\$A) ("Index") over the same period.

The excellent investment returns for this last financial year can be most easily explained across three distinct periods, as follows:

During the first eight-month period from July 2019 to February 2020, the Company's investment return of 8.3% compared favourably to the Index return of 7.8%.

During March 2020, there was a steep sell-off in markets in response to COVID-19, with the Company delivering an investment return of negative 1.2% versus the Index return of negative 7.4%, for the month of March. Actions taken to protect the portfolio during this highly volatile period, including shorts on stock market indices and increased cash holdings, provided the Company with some downside protection during the market sell-off.

The last three-month period from 1 April 2020 to 30 June 2020, during which the Company's investment return of 7.0% exceeded the Index return of 3.7%. The Company's investment portfolio was well positioned to capture the market recovery during this period.

Looking at investment returns over the longer term, specifically, since the Company's inception in September 2015 to 30 June 2020, the Company's annualised compound return measured by the Company's pre-tax NTA was 9.7% per annum, compared with an annualised compound return of 9.2% for the Index for the same period.

To keep shareholders fully informed, the Company releases weekly and monthly calculations of its NTA backing per share to the ASX. Platinum<sup>2</sup> also publishes monthly investment performance updates and sends out quarterly investment reports to shareholders.

### **Dividends**

The Board aims to deliver a consistent stream of fully-franked dividends to shareholders over time through its policy of dividend smoothing, subject to future earnings, cash flows, franking credits and accounting profits.

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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

This approach enabled the payment of both an interim and final fully-franked dividend during the 2019/2020 financial year, of 2 and 3 cents per share, respectively, bringing the total dividends declared to 5 cents per share. The dividend yield for the financial year was 4.95% based on the 30 June 2020 closing share price of \$1.01. As at 30 September 2020, the Company's franking account balance provides an ability to pay fully-franked dividends of up to 8.49 cents per share.

The ability to manage the level of fully-franked dividend payments over time is a key feature of listed investment companies. Although, the ability to pay future fully-franked dividends will continue to depend on the Company's ability to generate realised profits and pay tax.

#### Capital management

Like other listed investment companies, the Company's shares may trade on the ASX at a premium or discount to the pre-tax NTA. The share price is largely determined by the activity of buyers and sellers on the ASX.

Like many other listed investment companies, the Company's shares have recently been trading at a discount to pre-tax NTA. The Board has been actively monitoring the discount and on 8 April 2020 announced an on-market share buy-back for up to 10 per cent of the Company's issued share capital to be implemented over a period of up to 12 months. No shares have been bought-back to date. However, the Board will continue to monitor this.

I should note though that the Board does not believe there is any good reason for a company such as PAI to trade at a discount to NTA, particularly given its recent investment performance, and having regard to the fact that its portfolio is comprised of highly liquid stocks. Additionally, the listed investment company structure is an alternative investment vehicle to listed investment trusts and active ETFs, which provides an opportunity for more consistent and, in most cases, fully franked dividends to shareholders.

#### Other corporate governance matters

The Company's investments are managed and administered by the Platinum, the investment manager, through two key agreements previously approved by shareholders, namely the Investment Management Agreement and the Administration Services Agreement. The Board continues to monitor the performance of Platinum and its adherence to these agreements with the full and transparent co-operation of Platinum's management team.

During the financial year ending 30 June 2020, the Board commissioned an independent external legal review of both agreements. This review resulted in a number of amendments being made to those agreements, all of which benefitted shareholders.

In April 2020 the Board met with Platinum during the Australia-wide stage 3 lockdown as a consequence of COVID-19, to understand how the Company's investment and operational risks were being managed by Platinum during this period. Pleasingly, Platinum did not experience any disruptions to its business during this period, and to date remains fully operational.

#### 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 this financial year, Asian markets (ex-Japan) have performed strongly with the Company delivering a pre-tax NTA investment return of 9.22% for this period, against a return of 6.3% for the Index.

The most recent weekly pre-tax NTA per share as at 23 October 2020 was \$1.2909.

Platinum has recently noted that:

*"....Most Asian economies witnessed a robust rebound in activity over the quarter.....*

*The re-opening of economies post lockdown has affirmed our belief that strong companies would emerge stronger while the weaker competitors would dwindle...*

*The stocks we added to during the sell-off reflected this conviction and indeed, many have delivered remarkable returns.....*

*Irrespective of the headlines, Asia is demonstrating remarkable economic resilience, valuations are generally lower than those of developed markets and reforms are positioning the region in good stead over the next five to 10 years.....*

*We expect further volatility in the markets may once again provide us with an opportunity to accumulate interesting names in Asia."*

Finally

On behalf of the Board, I wish to thank shareholders for their support and to also express our appreciation of the work done by Dr Joseph Lai and the broader team at Platinum during what has been an unprecedented and challenging year.

Margaret Towers  
Chairperson  
27 October 2020