Plato
INCOME MAXIMISER

PL8 Results FY2020

Plato Income Maximiser Limited
Level 35, 60 Margaret Street
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Highlights

FY20 profit	Portfolio performance (incl. franking)	Total dividends paid in FY20
$21.5m	-5.8%[1] (+0.8% to benchmark[2] with +2.7% higher income generated)	5.7c[3]

- FY20 operating profit after tax of $21.5 million.
- Total dividends of $0.057 per share (8.2% gross yield[1] for the 12 months to 30 June 2020[4]).
- Total portfolio return of -5.8%[1], +0.8% compared to benchmark of -6.6%.
- Distributed income of 7.4%[5], +2.7% compared to benchmark of 4.7%.
- Shareholder webinar on the Company's results and investment portfolio.

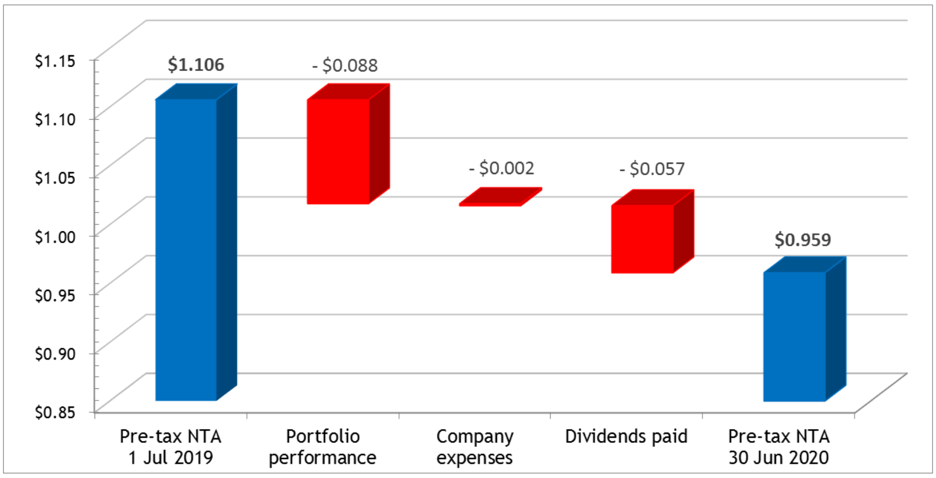
We are pleased to announce Plato Income Maximiser's (ASX:PL8) results for the year ended 30 June 2020. The profit for the year was $21.5 million, lower than the previous corresponding period (pcp) of $34.6 million which had seen historic-high dividend levels boosted by very large one-off dividends and buy-backs.

Portfolio performance weakened from a total return perspective in the second half of FY20 as the Covid-19 pandemic negatively impacted markets. In particular, the market fell 36% from its high on 20th February to its low on 23rd March. However, as governments announced historic stimulus measures and central banks lowered interest rates and initiated quantitative easing, the stock market rallied to be down 10%[1] for the second-half and 6.6%[1] for the financial year.

The active performance of the Company's investments was strong during the second-half, outperforming the benchmark[2] by 1.5% net of portfolio related fees, costs and taxes and by 0.8% over the year. The Company distributed 7.4% gross income[1] over FY20 compared to the benchmark[2] which distributed 4.7%.

In FY20, the NTA fell from $1.106 on 30 June 2019 to $0.959 on 30 June 2020. The $0.147 reduction in NTA per share includes the $0.057 of fully franked dividends paid during the year[3]. The Company continues to pay monthly fully franked dividends, the only LIC in Australia to do so.

NTA performance breakdown for FY20[6]



[1] Including franking credits
[2] S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax Exempt)
[3] Paid via 9 consecutive $0.005 monthly dividends, followed by 3 consecutive $0.004 monthly dividends
[4] Based on 30 June 2020 share price of $0.99
[5] Calculated as monthly dividends paid (including franking credits) divided by average month-end share price over the financial year
[6] NTA per share performance excludes value of franking credits

Dividends

During the year, nine monthly dividends of $0.005 were paid for the months of July 2019 to March 2020, followed by a reduction in the months of April to June 2020 to $0.004 per share in response to the economic impact of the COVID-19 pandemic. The total dividends of $0.057 for the year translates to an annualised yield of PL8 including franking of 8.2%[7].

The Board has announced a $0.004 dividend for each of July, August and September 2020 and it intends to continue with the payment of monthly dividends, provided the Company has sufficient profit reserves, it is permitted by law and within prudent business practices to do so.

Shareholder webinar on results and portfolio

The Board invites you to the upcoming Shareholder webinar on 8th September 2020 at 10:30am (Sydney time AEDT). The webinar will provide an update on the Company's financials and investments from Company Director and Plato Investment Management Managing Director, Dr Don Hamson.

Shareholders are invited to register at the following link:
https://pinnacleinvestment.zoom.us/webinar/register/WN_msv90jYRQSiqsk1Th_lYrg

Authorised by:

Calvin Kwok
Company Secretary
28 August 2020

[7] Based on share price at 30 June 2020 of $0.99.

Additional shareholder information

Portfolio performance as at 30 June 2020

The Company's investment portfolio performance shows how the Manager has performed after deducting management fees and costs[8], as compared to the Company's investment objectives.

Performance as at 30 June 2020[9]	Return	Benchmark[10]	Excess
Total return[11]			
- One year	-5.8%	-6.6%	+0.8%
- Since Inception[12]	+5.8%	+5.5%	+0.3%
Income[13]			
- One year	+7.4%	+4.7%	+2.7%
- Since Inception[9]	+8.0%	+5.5%	+2.5%

During the year ended 30 June 2020 the Company continued to exceed its income objective, distributing 2.7% excess income over the benchmark after including franking credits. Since inception the Company has distributed 8.0% p.a. gross income, 2.5% p.a. more than the benchmark.

Manager's commentary

The underlying investment portfolio's five best contributions to active performance over the last financial year were overweight positions in Fortescue (up 71%), Wesfarmers (up 28%), Macquarie (down 2%) and Woolworths (up 15%) as well as an underweight position in Scentre (down 40%). The last six months in particular was a period where avoiding the 'dividend traps' (stocks likely to underperform and cut their dividend) was especially important as there were particular industries such as banking, retail property trusts, travel and energy stocks that underperformed significantly. In contrast, certain sectors such as the large gold and iron ore miners and well as consumer staples were largely unharmed by the economic environment.

The gross dividend yield[1] fell in the first half of calendar 2020 as many companies cut, deferred or even cancelled previously announced dividends to preserve cash in the current environment taking the annual gross yield of the benchmark to 4.7%[1]. The Company was able to distribute income of 7.4%[14], 2.7% above its benchmark. The Company's investments remain actively positioned to seek superior income than the benchmark, albeit, we expect dividends for both the benchmark and our strategy to fall at least 30% from 2019 levels due to the economic impact of Covid-19. However, the distribution of this cut in dividends is not expected to be consistent across sectors. Whilst we think the dividends from financials, retail property trusts and energy stocks are challenged, we expect solid dividends from iron ore and gold miners as well as consumer staples like Woolworths and Coles.

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[8] Inclusive of the net impact of GST and Reduced Input Tax Credits.
[9] Past performance is not a reliable indicator of future performance. Performance is quoted in AUD net of portfolio related fees, costs and taxes.
[10] S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax Exempt)
[11] Inclusive of franking credits.
[12] Annualised from Inception date: 28 April 2017.
[13] Distributed income including franking.
[14] Calculated as monthly dividends paid (including franking credits) divided by average month-end share price over the financial year

There were two off-market buy-backs that we participated in over the financial year – McMillan Shakespeare and Qantas. These were much smaller buy-backs than the BHP Billiton and Rio Tinto buy-backs in the prior corresponding period which returned in excess of $10B to investors as a result of their asset sales (U.S. Shale Oil assets and Coal mines respectively). There were no completed off-market buybacks during the second half of FY20 however, as the one that was announced by Qantas in February was subsequently cancelled as the Covid-19 virus spread throughout the world and severely impacted airline traffic.

From an income perspective, the biggest generators of excess dividend income (including franking credits) were active positions in the big three iron ore miners (BHP, Rio Tinto and Fortescue) as well as the big four banks, Macquarie, Woolworths and Wesfarmers.

Market commentary

The Australian market fell 36% from its high on 20th February to its low on 23rd March. However, as governments announced historic stimulus measures and central banks lowered interest rates and initiated quantitative easing (with the U.S. Federal Reserve printing 3 trillion U.S. dollars during the next three months), the stock market rallied to be down 10%[1] for the half or 6.6%[1] for the financial year.

During the financial year, the best performing sectors were Healthcare Information Technology and Consumer Staples, sectors which have not been significantly affected by Covid-19 and in the case of some stocks have seen a strong positive effect. The worst performing sectors were Energy, Financials and Real Estate which fell significantly during the second-half and have been all significantly impacted in particular by the lockdowns reducing the demand for oil, reducing the number of people visiting shopping centres and workplaces and also putting pressure on banks who are likely to see an uptick in bad debts as many small businesses are struggling to survive. The strong divergence in sector performance shows the benefit of holding a diversified portfolio rather than investing in stocks with the highest level of income which may lag during particular market cycles, such as the one we are currently in.