

## **Chairman's Address to the 2016 Platinum Asia Investments Limited (PAI) AGM**

Listing Rule 3.13.3

### **Introduction**

Good Morning Ladies & Gentlemen and welcome to the inaugural Annual General Meeting of Platinum Asia Investments Limited.

My address will focus on a number of key issues that have impacted on the Company since its listing in September 2015, namely the outcome of the IPO itself, the Company's investment performance and financial results, and its future outlook.

The Company was established to provide investors with a convenient means of gaining exposure to the fast growing equities markets within the Asian Region ex Japan and to take advantage of the investment opportunities on offer in those countries which are undergoing deep transformation.

The portfolio is actively managed with the objective of delivering long-term capital growth through investing primarily in undervalued listed securities of companies within Asia ex Japan.

The portfolio is selected by our Investment Manager, Platinum Investment Management Limited (Platinum). Platinum is one of Australia's mostly highly regarded fund managers with an excellent long-term investment record both in Asia and in the rest of the world.

The Company aims to achieve net returns over a five year plus investment horizon that are in excess of the benchmark.

### **Initial Public Offering (IPO)**

In September 2015, the Company completed its IPO in accordance with the replacement prospectus dated 5 August 2015. The Company raised approximately \$292.9m by the issue of approximately 292.9m ordinary shares and the same number of attached options for nil consideration.

As at 2 November 2016, 335,100 options have been exercised and 335,100 additional shares have been issued.

Shareholders who acquired shares in the Company under the Initial Public Offering are reminded they also received one option for every one share that was acquired. These options are exercisable at \$1.00 and shareholders have until 15 May 2017 to exercise them.

The Company was admitted to the official list of ASX on 17 September 2015. The official quotation of its securities commenced on 21 September 2015. The first 50% of the capital raised was invested within three days and another 24% was invested within three months. As at 30 June 2016, the portfolio was 86% invested, with the remaining 14% held in cash. At 28 October 2016, 87% has been invested.

This leaves some room to take advantage of any further opportunities that may arise to add to our existing holdings or take new positions.

## **Investment Performance**

For the period from inception to 30 June 2016, the Company's Net Asset Value (NAV) decreased by 4.5% pre-tax, after fees and expenses, whereas the benchmark Morgan Stanley All Country (MSCI) Asia ex Japan Net Index in \$A terms remained flat.

The underperformance was primarily caused by the Investment Manager managing the portfolio defensively, given that Asian markets have been so turbulent.

I am pleased to report that, in the last few months of the 2015-16 financial year, our investment performance has improved. This has continued post year-end with the 30 September 2016 pre-tax NAV increasing to \$0.99, which represents an increase of 6% for the three months and 10% for the six months to 30 September 2016. The pre-tax NAV at 28 October 2016 increased to \$1.00.

The volatile market environment was, and remains, a key consideration in building and managing the portfolio.

## **Shareholder Returns**

For the period since inception to 30 June 2016, the Company made a statutory pre-tax operating loss of \$12.8 million and a post-tax operating loss of \$9.0 million. As previously noted, the Investment Manager has experienced a difficult market environment since the launch of the Company, characterised by uncertain and choppy markets.

However, it should be noted that, under Australian Accounting Standards, realised profits and losses are added to or reduced by changes in the market value of the Company's total assets. This can lead to large variations in reported profits.

As a consequence, the Directors believe that over time pre-tax NAV, after fees and expenses, is a better measure of performance of the Company over the long-term than reported profits.

## **Dividends**

As the Company has only been trading since September 2015, no dividend has been paid or declared to the date of this Chairman's Report. This is because the Company is yet to pay any tax and hence has no franking credits to distribute.

The Company intends to build up its pool of available franking credits and realised profits and pay dividends to shareholders in the future.

## **Corporate Governance**

As shareholders would be aware from the Prospectus, PAI's funds are ultimately managed by Platinum through two key agreements previously approved by shareholders: the Investment Management Agreement and the Administration Services Agreement.

Since the launch of the Company, the Non-Executive Directors are pleased to report they have closely monitored the performance of the Investment Manager and its adherence to the agreements with the full and transparent co-operation of Platinum and its management team. We are accordingly confident in the integrity and reporting of the Company's financial results to shareholders.

### **Outlook for the rest of the 2017 financial year**

As noted earlier, for the first three months of the 2017 financial year, the pre-tax return increased by 6%, based on a pre-tax NAV of \$0.99 at 30 September 2016. Performance was led by Chinese stocks listed outside mainland China, with Hong Kong listed H-shares up 10%, while the mainland A-shares were up approximately 3%.

At 28 October 2016, the pre-tax NAV increased to \$1.00.

The Investment Manager has recently noted:

“The outlook is improving across the Asian region, given the progress made on reform and delivery of much needed infrastructure investments. The direction is positive, though there is no way of predicting the exact path that markets will take.

The Chinese authorities are committed to fixing up the system to deliver more steady and balanced growth. It is encouraging that over the last 40 years China has demonstrated time and time again its capacity to deal with bad debts, reform the system, and remove excess capacity in challenged industries to deliver a positive outcome.

India’s economy is still small relative to China’s, so the bull case for the Indian market is perhaps easier to grasp. We are positive about the country’s economic prospects given its ongoing reform and the potential for a cyclical recovery. However, given the market’s recent enthusiasm for the country, short-term setbacks are possible if there are disappointments. We remain optimistic over prospective returns from our companies, as stock prices remain inexpensive in the context of their growth trajectories. We continue to find interesting companies to add to the portfolio”.

### **Finally**

I wish to express my appreciation of the work done by Joseph Lai and the investment team over the last year and thank Kerr Neilson, Andrew Clifford, and their broader Platinum team, for the successful launch of the Company.

On behalf of the Board, I thank the shareholders for their support.

Bruce Coleman  
Chairman  
2 November 2016