

Chairman's Address to the AGM on 17 November 2016

Listing Rule 3.13.3

Introduction

Good morning ladies and gentleman and welcome to the 2016 Annual General Meeting of Platinum Asset Management Limited.

My address will discuss some key developments associated with extending and growing the "Platinum" brand, the Company's performance, remuneration matters, dividends, corporate governance issues, Board changes, the recent share buy-back announcement and the outlook for 2016-2017.

Extending and growing the "Platinum" brand

The Platinum Group had a busy year implementing a number of initiatives to develop and grow the business. Platinum successfully launched two products that will assist investors, both in Australia and overseas, to diversify their investment portfolio into global shares:

- a new Listed Investment Company (LIC), Platinum Asia Investments Limited (ASX code: PAI), which is a SMSF focussed product that raised approximately \$292.8 million and listed on the ASX on 21 September 2015; and
- three new Irish-domiciled UCITS (Undertaking for Collective Investment in Transferable Securities) funds under the umbrella of Platinum World Portfolios plc (PWP), which are designed to attract larger global institutional investors and extend the Platinum brand name into offshore markets.

In addition, Platinum has been implementing strategies to retain and attract new investors, and provide investment support to financial advisors, particularly in these times of great market uncertainty.

Some examples of these key initiatives include the expansion of the team of investment specialists enabling an increase in adviser visits and client presentations, an increased number of adviser roadshows allowing advisers to gain valuable investment insights, development of our web-site to improve communication with investors and allow investors to gain access to a regular stream of interesting and relevant investment articles, and finally Platinum has been developing new marketing strategies for its products

Performance

The performance of the Company has been adversely impacted by increased volatility in global markets, together with a slowing in global growth.

In the 2015/16 financial year, fee revenue declined by 0.9% to \$337.9 million (2015: \$340.9 million) on account of average Funds Under Management ("FUM") declining by 1.2% to \$25.8 billion (2015: \$26.1 billion).

Total revenue declined by 4.4% or \$15.7 million to \$344.7 million (2015: \$360.4 million), caused by lower non-fee income, including mark-to-market losses on our investment in Platinum Asia Investments Limited (down \$1.5 million) and Platinum World Portfolios (down \$1.4 million) as well as last year's windfall gains on our US Dollar cash holdings and investments not being

repeated in 2016 (the AUD/USD exchange rate fell from 94 cents down to 76 cents between 1 July 2014 and 30 June 2015).

Costs increased by 6.1% or \$3.6 million relative to the prior year, with increases in staff and business development costs partly offset by lower custody expenses.

Profit before income tax expense was \$282.2 million (2015: \$301.6 million) which represents a decrease of 6.4% on the previous year. The profit after tax for the year was \$199.9 million which also represents a decrease of 6.4%.

Funds Under Management (FUM)

The 30 June 2016 closing FUM was \$22.7 billion, and this represents a decrease of \$4.2 billion or 15.5% from the 30 June 2015 closing FUM of \$26.9 billion. The decline in FUM over the course of the year was caused by market depreciation of \$1.8 billion, capital outflows of \$1.5 billion, and the 30 June 2016 net distribution from our Funds of \$0.9 billion. Over \$1 billion of the net outflow related to one large US institution, who closed their account with us.

The first few months of the 2015/16 financial year were positive from a FUM point of view. It is for this reason that average FUM for the year to 30 June 2016 decreased by only 1.2% or \$0.3 billion to \$25.8 billion, compared to an average FUM of \$26.1 billion for the previous year.

Remuneration Matters

Staff costs increased during the 2015/16 financial year by \$2.5 million. This increase was mostly attributable to extra incentives being paid to a handful of staff who have made outstanding contributions to the firm over a number of years. Outside of this handful of staff, the incentive pool was relatively flat year on year, roughly in line with revenue growth.

For the investment team, bonuses paid are dependent on achieving strong relative returns or outperformance of benchmark returns over a one and three year period, and hence bonuses paid to the investment team were, for the most part, subdued in 2016. This underperformance against benchmark returns also meant that this was the second year in a row that there was no allocation to key members of the investment team under the profit share plan.

Given the decline in both absolute and relative performance across our Funds and mandates, falling average FUM and investment outflows, Platinum's Chief Investment Officer, Andrew Clifford did not receive a bonus in 2016.

Only two members of KMP received a bonus in 2016, being the Director of Investment Services and Communications, Elizabeth Norman and the Finance Director, Andrew Stannard.

A new "Deferred Bonus Plan" was approved by the Nomination and Remuneration Committee. The main objective of the Plan is to recognise the contributions made by senior employees and to retain their skills within the firm. Under this plan, selected senior employees will defer a proportion of their bonus and instead receive deferred rights. These rights will then convert to Platinum Asset Management Limited (PTM) shares if these senior employees remain employed at Platinum for a period of four years from the grant date of 20 June 2016. In the last financial year, the total deferred bonus that was converted to deferred rights to PTM shares was approximately \$3.6 million. The accounting impact of the award will be expensed through the profit and loss statement over the five year service period of the award, so the expense impact is smoothed. In order to hedge the Company's exposure to these rights, the Company acquired, via an Employee Share Trust, an equivalent amount of shares on-market. Therefore, the 2016 award made did not dilute existing shareholders. No further grants have been made since 30 June 2016.

Dividends

The Directors declared a fully-franked ordinary dividend of 16 cents per share which was paid on 22 September 2016.

A fully-franked interim dividend of 16 cents per share was also paid on 22 March 2016.

The Directors are confident that future dividends will continue to be fully-franked.

Whilst the Company has a Dividend Reinvestment Plan in place, it has not been activated and is unlikely to be activated in the near term.

The Board and its Associated Committees

During the 2015/16 year, the Company was delighted to announce that Mr Andrew Stannard joined the PTM Board as our Finance Director, bringing with him over 25 years of experience in the funds management sector.

Both the Nomination and Remuneration Committee and Audit, Risk and Compliance Committee had productive years. The Nomination and Remuneration Committee has had to oversee a new Deferred Bonus Plan and also changes to the composition of the Board.

The Audit, Risk and Compliance Committee have had to oversee many regulatory changes and the increased level of resources attributable to compliance is strongly linked to the growth of the business.

Director Renewal

The Company is fast approaching 10 years since it listed on the ASX in May 2007. As a consequence, the Board has spent a significant amount of time discussing the issue of succession planning and has implemented a plan for Director renewal.

As a result, I am delighted to announce that Ms Anne Loveridge was appointed to the PTM Board on 22 September 2016, and succeeded Ms Margaret Towers who retired from the Board after over nine years of service. Anne is currently a Non-Executive Director for the National Australia Bank (NAB) Group and has over 30 years of experience as a former partner in the Financial Services Assurance practice at PricewaterhouseCoopers (PwC). Anne will stand for re-election at today's AGM.

Following the retirement of Margaret Towers, there has also been a re-arrangement of responsibilities within the Audit, Risk and Compliance committee, with Bruce Coleman appointed as Chair.

The Board of PTM would like to extend its thanks to Margaret for her invaluable contribution to the Board over the last nine years.

In accordance with good governance and the ASX Guidelines, we intend to continue with the plan of Director renewal in the coming year.

Board composition

The PTM Board is fortunate to comprise a total of four Executive Directors, which means that exactly half of the PTM Board is comprised of Executive Directors. Platinum is unique in that its two major shareholders, being the Managing Director and Chief Executive Officer, Kerr Neilson and the Chief Investment Officer, Andrew Clifford directly manage nearly 50% of PTMs FUM. When making Board decisions, Kerr and Andrew are able to focus on the best outcome for all shareholders, given that their interest is both personal and professional.

The other two Executives on the Board are the Head of Investor Services and Communications, Elizabeth Norman and the Finance Director, Andrew Stannard. From a Board functionality, efficiency and decision-making point of view, it makes sense that these Executives are Board members.

The need for proper corporate governance at the PTM Board is paramount and it is a requirement that Non-Executive Directors exercise voting control. There are an equal number of Executive Directors and Non-Executive Directors for the reasons I have outlined previously but as the independent Chairman I have the casting vote. As a further check and balance in the system, any PTM Board decision requires a majority of Non-Executive Directors to be effective and there must be a minimum of two Non-Executive Directors present and voting.

Share buy-back program

On 13 September 2016, PTM announced its intention to commence an on-market share buy-back program. The buy-back program commenced on 4 October 2016 and will run until 3 October 2017.

PTM shares will only be bought-back in circumstances where the Directors believe that there has been a significant adverse movement in the PTM share price below the underlying value of the business, having regard to factors such as investment performance and outlook.

The Board is of the view that the buy-back program is unlikely to adversely impact on the ability of PTM to maintain its stated dividend policy of paying out 80-90% of its profit after tax throughout the buy-back period.

As at the date of this meeting, no shares have been bought-back.

Commitment to Climate Action

The Company continues to monitor its carbon usage. Carbon credits were purchased by the Manager to offset the material carbon emissions made by the Company, as a result of electricity usage and travel.

Outlook 2016-2017

FUM at 31 October, 2016 was \$23 billion. It was up slightly on the June 2016 close of \$22.7 billion.

At the end of October last year, PTM FUM was \$28 billion and significantly higher than it is today. The 18% FUM decline over the annual period is due to the combined effect of a bull market and positive inflows in the first 4 months of the 2016 financial year. In contrast, the first 4 months of the 2017 financial year have been marked by subdued markets and modest fund outflows.

Whilst net fund flows have been negative over the last few months, it is pleasing to report that the recent investment performance of the PTM Funds has been strong relative to their index

benchmarks. For example, in the 4 months since 30 June 2016, our flagship Fund, Platinum International Fund has exceeded its global benchmark by 5%. This outperformance gives us a measure of optimism about the medium-term outlook for the business.

In the shorter term though, net redemptions and uncertain markets may well continue to negatively impact on our FUM and this will in turn adversely impact on our short term revenues and profits compared to the previous corresponding period.

The PTM Board does not provide earnings forecasts because of the uncertainty of net fund flows and equity market performance. That said, it seems clear that if outflows were to persist and markets were to remain stable over the next few months, then the outlook for the first half of the current 2017 financial year is for PTM revenues to be flat compared to the previous June 2016 half year, but well down on the December 2015 half of last year.

However, to reinforce my previous comment, provided that we can continue to deliver strong investment performance for our clients, there is good reason to believe that our current outflow trend can prove to be transient, notwithstanding the uncertainty and volatility created by the recent political developments in the US.

Conclusion

There are a number of exciting initiatives being pursued by Platinum, both in Australia and overseas. This coupled with the recent improvement in investment performance, gives the Directors reason to be optimistic about the Company's future prospects.

The interests of our shareholders continue to be well served by the Managing Director, Kerr Neilson, and the Chief Investment Officer, Andrew Clifford, maintaining their sharp focus on delivering the best investment outcomes for our clients. In this endeavour, they are well supported by all Platinum staff.

Finally, I would like to thank my fellow Non-Executive Directors, Stephen Menzies, Bruce Coleman and Anne Loveridge, for their assistance over the period and again thank Margaret Towers for her contribution over the last 10 years.

Michael Cole
17 November 2016