

## PL8 Results 1HFY2020

### Highlights

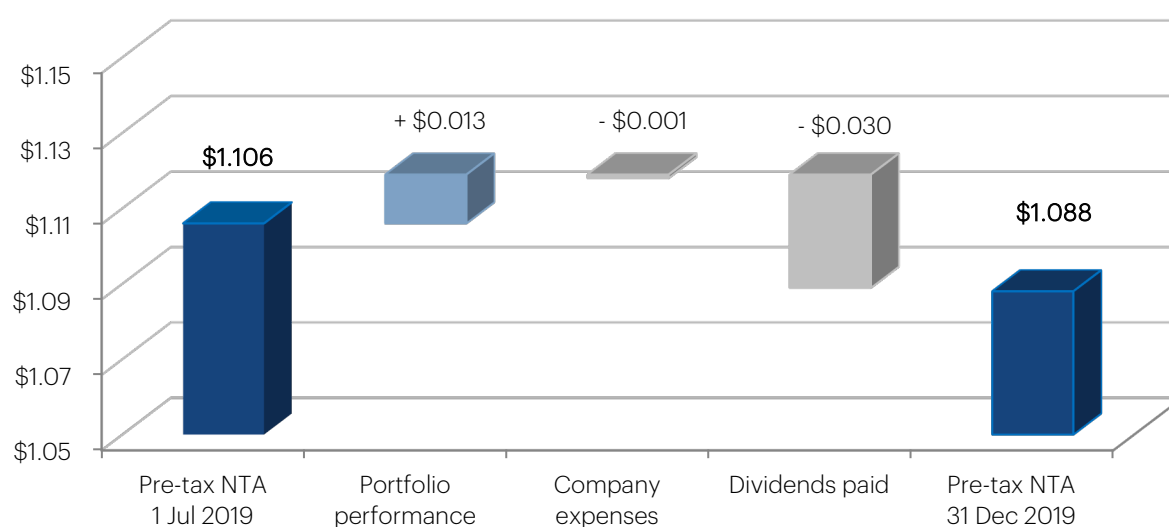
1HFY20 profit	Portfolio performance (incl. franking)	Total dividends paid in 1HFY20
\$13.8m	+2.9% <sup>1</sup> (-0.9% to benchmark <sup>2</sup> with 1% outperformance of income)	3.0c <sup>3</sup>

- 1HFY20 operating profit after tax of \$13.8 million
- Continuing monthly dividends of \$0.005 per share (10.8% yield including franking and special dividend for the 12 months to 31 December 2019).
- Total portfolio return of 2.9%<sup>1</sup>
- Completion of capital raising in September 2019, raising \$144.4m
- Shareholder webinar on the Company's results and investment portfolio

We are pleased to announce Plato Income Maximiser's (ASX:PL8) results for the half-year ended 31 December 2019. Portfolio performance slowed in the half-year with markets largely trading sideways from the end of June, but the full calendar year performance was very strong, up nearly 25%<sup>1</sup>. The portfolio performance of 2.9%<sup>1</sup> slightly trailed the Benchmark S&P/ASX 200 index<sup>2</sup> which rose 3.8% for the half-year.

The profit for the half-year was \$13.8 million, significantly lower than the previous corresponding period (pcp) which had been boosted by some very large one-off dividends and buy-backs. In July-December, the NTA fell from \$1.106 on 30 June 2019 to 1.088 on 31 December 2019<sup>4</sup>. The \$0.018 reduction in NTA per share was offset by the \$0.03 of fully franked dividends paid during the half<sup>3</sup>. The Company continues to pay monthly fully franked dividends, the only LIC in Australia to do so.

### NTA performance breakdown for 1HFY20<sup>4</sup>



<sup>1</sup> Including franking credits

<sup>2</sup> S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax Exempt)

<sup>3</sup> Paid via 6 consecutive \$0.005 monthly dividends

<sup>4</sup> NTA per share performance excludes value of franking credits

## Dividends

During the half-year, six monthly dividends of \$0.005 were paid, translating to an annualised yield of PL8 including franking of 7.2%<sup>5</sup>. When including the \$0.03 special dividend paid in May 2019 with the regular monthly dividends, PL8 delivered a 10.8% yield (including franking) for the 12 months to 31 December 2019<sup>6</sup>.

The Board has announced a \$0.005 dividend for each of January, February and March 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.

## Entitlement Offer

The Company completed its entitlement offer (including oversubscription facility) and broker firm shortfall offer in September 2019. The offer raised \$144.4 million via the issue of 45,228,433 ordinary shares under the entitlement offer and oversubscription facility, and 86,023,470 under the broker firm shortfall offer. The benefits of the capital raised under the offer to shareholders is a reduction in per share costs, greater share liquidity and a more diverse shareholder register. The Board is pleased with the subsequent trading of PL8 shares above their NTA since the offer was completed.

## Shareholder webinar on results and portfolio

The Board invites you to the upcoming Shareholder webinar on 2<sup>nd</sup> March 2020 at 10:30am (Sydney time EADT). 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\\_GzG1OqANST-I5Sxkf8Bc8g](https://pinnacleinvestment.zoom.us/webinar/register/WN_GzG1OqANST-I5Sxkf8Bc8g)

## Calvin Kwok

Company Secretary

26 February 2020

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<sup>5</sup> Based on share price at 31 December 2019 of \$1.19.

<sup>6</sup> \$0.06 of monthly dividends and \$0.03 of special dividend. 31/12/2019 share price of \$1.19

## Additional shareholder information

### Portfolio performance as at 31 December 2019

The Company's investment portfolio performance shows how the Manager has performed after deducting management fees and costs<sup>7</sup>, as compared to the Company's investment objectives.

Performance as at 31 December 2019 <sup>8</sup>	Return	Benchmark	Excess
<b>Total return<sup>9</sup></b>			
- Half-year	2.9%	3.8%	- 0.9%
- Since Inception <sup>10</sup>	10.5%	10.8%	- 0.3%
<b>Income<sup>11</sup></b>			
- Half-year	3.7%	2.7%	+ 1.0%
- Since Inception <sup>9</sup>	8.1%	5.8%	+ 2.3%

During the half-year ended 31 December 2019 the Company continued to exceed its income objective, distributing 1% excess income over the benchmark after including franking credits. Since inception the Company has delivered 8.1% pa gross income, 2.3% p.a. more than the benchmark.

## Manager's commentary

### Portfolio commentary

The underlying investment portfolio's five best contributions to active performance over the 6 months were overweights in Fortescue (up 22%), Qantas (up 35%) and Macquarie (up 12%) as well as underweight positions in BHP (down 2%) and Aurizon (down 1%).

FY19 was certainly a bumper year for dividends as companies implemented buybacks and paid special dividends in anticipation of the potential for change in franking credit legislation. Now that this has passed, dividends are returning to a more normal level in FY20.

There were two off-market buy-backs that we participated in over the half-year – McMillan Shakespeare and Qantas. These were much smaller buy-backs than the BHP Billiton and Rio Tinto buy-backs in the pcp which returned in excess of \$10B to investors as a result of their asset sales (U.S. Shale Oil assets and Coal mines respectively).

From an income perspective, the biggest generators of excess dividend income (including franking credits) were active positions in the big four banks, BHP, Rio Tinto and Macquarie Group.

### Market commentary

The Australian market rose 3.8% in total return terms including franking credits in the 6 months to 31 December 2019, with the price index trading largely sideways over that time, despite 3 official overnight interest rate cuts by the RBA. It seems the market anticipated the lower rates in the first half of 2019, pushing share prices much higher in early 2019.

During the half, the best performing sectors were Healthcare, Consumer Discretionary and Consumer Staples. The strong performance of the Healthcare sector was driven by the strong performance of CSL (up 29%) and Resmed (up 28%), both of which have been long term investments by the Company, held not

<sup>7</sup> Inclusive of the net impact of GST and Reduced Input Tax Credits.

<sup>8</sup> Past performance is not a reliable indicator of future performance. Performance is quoted in AUD net of portfolio related fees, costs and taxes.

<sup>9</sup> Inclusive of franking credits.

<sup>10</sup> Annualised from Inception date: 28 April 2017.

<sup>11</sup> Distributed income including franking.

for their income generation but rather for their capital growth prospects. The strong performance of the Consumer sectors was led by Wesfarmers, Woolworths, Coles and JB Hi-Fi as the consumer has held up stronger than expected with the rebound in the Australian property market. The worst performing sectors were Communication Services and Financials which fell during the half, dragged down by the performance of Telstra in the case of Communication Services and ANZ, NAB and Westpac for the Financials sector. This 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.

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