PLATINUM INTERNATIONAL HEALTH CARE FUND

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Portfolio Manager

PERFORMANCE

Confidence in drug development or new advances in either the treatment or diagnosis of diseases continued last quarter. This sentiment is also reflected in the increase in valuation over the past 12 months for many health care companies, especially those that have demonstrated progress and achieved development milestones.

The Health Care Fund achieved an exceptional return in the quarter of 20.7% resulting in cumulative returns of 47.7% from a low point 12 months ago. The Fund has also performed well compared to the good returns of the benchmark over the quarter and the year. We would continue to highlight our lack of awareness of the benchmark components and that the Fund may show both volatile and divergent short-term performance. This is especially relevant with our holdings in biotechnology companies engaged in drug developments that extend over many years.

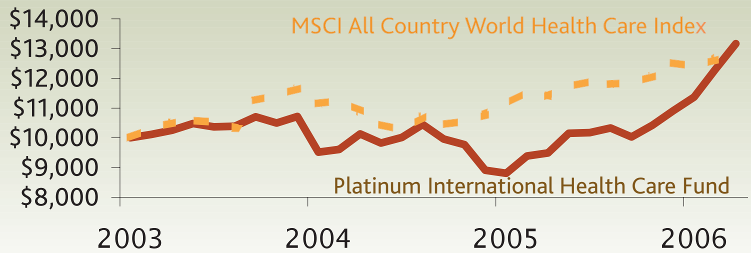
Big pharmaceuticals showed signs of encouraging activity led by Merck and Pfizer. Both added new drugs to their sales force repertoire and lodged applications for drug approvals with the regulatory agencies. In addition, science conferences were also a focus indicating that R&D is still something these companies feel strongly about despite the prevailing rhetoric about their lack of productivity. New drug classes to treat HIV infection were presented and new treatment ideas to balance good and bad cholesterol are in late stage development. More conferences are on the agenda and presenters include representatives from both biotech and pharmaceutical. It's interesting to see how the balance has shifted over the years.

DISPOSITION OF ASSETS

REGION	MAR 2006	DEC 2005
NORTH AMERICA	58%	57%
EUROPE	21%	23%
JAPAN	7%	8%
OTHER ASIA (INCL KOREA)	3%	2%
CASH	11%	10%
SHORTS	0%	0%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
10 NOVEMBER 2003 TO 31 MARCH 2006



Source: Platinum and Factset. Refer to Note 2, page 5.

A focus on their specific skills by small biotech funds in the portfolio has delivered a two-fold benefit: good progress with pipeline products and the ability to negotiate favourable collaboration agreements. Larger biotechs still continue to grow strongly but for some, the prospect of competition has forced them to look for alternative projects and methods, and to consider their options. For example, the leading biotechnolgy companies built their business on the so called 'biologics', or injectable proteins but have since expanded their competency in chemical compounds, previously the domain of the big pharmaceuticals. Notably, many of the pharmaceutical companies started out as divisions of the large chemical companies.

In the EU a number of mid-sized companies are struggling to determine the best course of action given their relative size and pipeline potential. German-based Schering AG, one of our holdings, has been a takeover target, with Bayer emerging as the buyer. Serono, the large Swiss biotech sought buyers, likewise Altana another mid-sized German company is assessing the future of their pharmaceutical division. These are by no means the only ones in Europe contemplating their future in a changing world.

The health care landscape continues to be challenging and quite often the emergence of competition plays an important role. Gene chip company Affymetrix is currently also feeling the pressure of maturing and dealing with other smart innovators. However, studying the association of genes and disease or drug response is an area that, in our view, has only just started. The trend towards moving from research tools to long-term clinical use will be most important. Feedback from "genotypers", scientists engaged in research with these tools, and the company's initiatives to work closely with hospitals indicate that the long term story remains intact.

The regulators are also in favour of new technologies that offer the potential to develop more selective drugs and maybe an easier way for assessing potential side effects. The latter is something that is very high on the Food and Drug Administrations (FDA) list of concerns and has in recent weeks caused some more surprising or at least unanticipated delays to drug approvals as the agency requested additional safety data and studies.

CHANGES TO THE PORTFOLIO

Although there are plenty of health care companies in the US the valuations for many have significantly increased in recent months. To balance the volatility of smaller drug developers we added to some of our more neglected US companies that provide research tools and products. As investment in R&D and the use of new technologies is likely to continue, these companies should benefit. For example, a company that has established strong relationships with pharmaceutical companies to support their drug discovery is now adding a new imaging technology for pre-clinical drug development to its product range. The technology enables the effects of a drug to be visualised in a rodent and focuses on assisting the transition of a drug from lab bench to humans with greater understanding of the therapeutics' dynamics. This is also consistent with our previously described theme that biomarkers and other tools will help monitor a drug's activity more specifically and narrow the focus to relevant patients; in brief, adding to a better targeted future of drug development.

We have added to several of our holdings outside the US where progress has been made with new compounds or where, following more detailed work, we gained confidence in the capabilities of the company. EU biotech are definitely lagging their US peers but signs of partnering deals and interest in their progress are emerging, evidence which has been mostly ignored by the financial markets.

Companies can still be found with late stage compounds and pharmaceutical partners where there is a lack of "media hype" attached. Management teams have also evolved and in several instances exhibit many years of experience. With US valuations being quite high we decided to add some EU cousins to our portfolio.

COMMENTARY

Collaborations and licensing deals in the area of Research and Development continue to be an important part of today's health care companies. Life Science technology companies are looking to broaden their operations with the needs of a drug developer or clinician in mind, while drug developers are looking to biotech researchers for new compounds offering the latter well-oiled late-stage development as well as sales and marketing capabilities.

Overall, it is this rather complex network that is gaining in importance and will provide the companies with the potential for progress. Deciphering these interactions and keeping track of them adds to our knowledge of companies and also assists in understanding their respective strength or weaknesses. Trends, such as a focus on biomarkers, vaccine development capability or molecular/personalised medicine also become apparent and can guide possible investment themes.

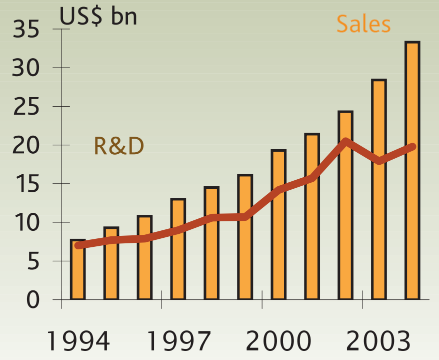
In the case of big pharmaceuticals the depth of the network, in particular in later stages of development and their "on the road" selling capabilities for any particular drug seem to be taken for granted. While a pipeline is essential, so is a team that deals with regulatory issues, with the preparation of documents for regulatory agencies and a sales and marketing operation that is able to get the drug to the right doctor or hospital.

Pharmaceutical does get criticised continuously for its "dry" pipeline and many choose to ignore that these companies have other assets that are essential for ultimately producing a successful drug. The global approach of these companies is also something to consider as there are regulatory differences and also cultural variables to overcome. Many biotechs do have a strong science base and quite often with the help of a Clinical Research Organisation are perfectly capable of showing that the drug works in humans. However, the subsequent steps such as large trials, different disease indications, sales and marketing, require a whole different infrastructure that can be costly and to use optimally, requires time and experience. Some biotechs have successfully chosen to establish or acquire a specialised infrastructure focusing on a disease indication such as cancer or viral infection. More and more biotechs are now mature enough to consider their options more broadly, however, the trend appears to be co-development with a partner whilst maintaining an option for co-marketing or a geographical split of sales territories.

As it was put to us, it is the sheer discipline and resources brought by big pharmaceuticals that is simply 'overwhelming for small biotechs'. Suddenly everything is moving quickly and the dream or promise that the biotech's drug can achieve a commercial identity becomes real.

The biotech sector is maturing and steady progress in more conventional metrics such as the financial report card has been evident. At the smaller companies, who for the moment lack any form of consistent income and can often be overlooked, we also see a maturing of their potential. We see many statistics on the industry that confirm this with a recognition that, in aggregate, the past years of heavy research and development spending are beginning to be reflected in rising sales and the promise of more widespread profitability.

Public Biotech - Sales and R&D



Source: Ernst and Young

Overall the health care sector is a very close network, in which pharmaceutical companies are looking for new products to add to their sales bag and biotechs look for partners to complete the development and assist with marketing and selling a drug. Business development and alliance management at both pharmaceuticals and biotechs, are significant parts of a company's strategy and much more thought and resources are being allocated to the due diligence process. Big pharmaceuticals are discovering more and more that the biotechs have matured to a point where they can negotiate astonishing terms for their deals. Quite often they are looking at an assessment of the whole company as an investment rather than an individual drug program. Perhaps not too dissimilar to our objectives and approach.

We might also wryly observe that when we ventured to mention to big pharmaceuticals some years ago that they might one day be interested in the biotech world, we invariably received a torrent of advice that only 'small molecules' would be economically viable and that these 'large molecule' biologic products would only ever exist as a niche. Similarly, had we mentioned involvement in promoting generic products we would have found the meeting suddenly rather chilly, if not closed. Some rather innovative deals have recently been concluded with the generic 'enemy'. Our point being that these 'monolithic' big pharmaceutical companies are showing healthy signs of adapting, despite the negative rhetoric and the concerns of the current environment.

OUTLOOK

Medical and scientific conferences will provide a showcase for new developments over the next months and the assessments by the regulators will continue to help us understand their approach to new drug applications. Towards the middle of this year, vaccines will take center stage when the FDA will assess the cervical cancer vaccine developed by Merck/CSL. Therapeutic vaccines, such as cancer vaccines, are an approach that many hope will be available to patients in the future but so far success has been limited. With the Merck/CSL and also the GlaxoSmithkline cancer vaccine nearing potential approval, a new class of vaccines may gain more attention.

Results of the first quarter for many health care companies will be carefully monitored to see what impact the introduction of the Prescription Medicare Benefit Plan in the US may have had or will have. Similarly, focus remains on the introduction of several generics throughout the year as their introduction will impact many companies. In particular, the class of cholesterol-lowering drugs will see dynamic changes as a cheaper copy of the popular drug Zocor becomes available. Healthcare Plans in the US already encourage physicians whenever possible to switch the patient towards generics.

The FDA will remain under close scrutiny as its new Commissioner is now fully committed to the agency. There are several drugs awaiting approval with possible side effect issues. Guidelines on how to get cheaper copycat biologics approved are still outstanding and eagerly anticipated. In Europe, Biogenerics are also on the agenda and further decisions are anticipated this year.

The medical device sector is also closely watched as pricing issues become more widely discussed and consolidation is seen as a possible solution. However, companies have maintained relatively high valuations which has discouraged our participation.

Simon Trevett & Bianca Elzinger

NOTES

1. The investment returns are calculated using the Fund's unit price and represent the combined income and capital return for the specific period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that past performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

2. The investment returns depicted in the graphs are cumulative on A$10,000 invested in the relevant Fund since inception relative to their Index (in A$) as per below:

Platinum International Fund:
Inception 1 May 1995, MSCI All Country World Net Index

Platinum Asia Fund:
Inception 3 March 2003, MSCI All Country Asia ex Japan Net Index

Platinum European Fund:
Inception 1 July 1998, MSCI All Country Europe Net Index

Platinum Japan Fund:
Inception 1 July 1998, MSCI Japan Net Index

Platinum International Brands Fund:
Inception 18 May 2000, MSCI All Country World Net Index

Platinum International Health Care Fund:
Inception 10 November 2003, MSCI All Country World Health Care Net Index

Platinum International Technology Fund:
Inception 18 May 2000, MSCI All Country World Information Technology Index

(Note. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

The investment returns are calculated using the Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

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Before making any investment decision you need to consider (with your financial adviser) your particular investment needs, objectives and financial circumstances. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Funds.

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