Platinum International Health Care Fund

Bianca Elzinger Portfolio Manager

Disposition of Assets

REGION	MAR 2011	DEC 2010
North America	43%	43%
Europe	30%	33%
Japan	3%	3%
Asia	1%	1%
South America	1%	2%
Cash	22%	18%
Shorts	2%	1%

Source: Platinum

Performance and Changes to the Portfolio

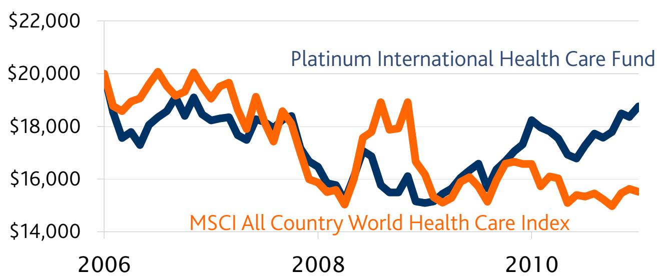
The Platinum International Healthcare Fund rose 2.9% for the year while the MSCI World Healthcare Index was down 6.4%. For the quarter, the Fund increased 5.4% while the Index advanced by 3.6%.

Similar to the past 12 months, small and mid-cap companies continue to perform well, as do companies that have a new technology or device to sell. Pharma in particular continues to be neglected and in many ways it is reminiscent of the 1960s and '70s. At that time, pharma growth was limited and the companies were diversifying as well as consolidating and expanding outside of the US market. Today we have a similar situation but we have most likely underestimated the timeline for change among these slow moving companies.

While this restructuring is going on, all the action is in biotech. Pharmasset reported new clinical data for its anti-HCV (Hepatitis C Virus) drugs. Clinicians are highly encouraged by the activity and also by the safety profile. The company is emerging as a serious force in HCV.

Value of $20,000 Invested Over Five Years

31 March 2006 to 31 March 2011



Source: Platinum and MSCI. Refer to Note 2, page 4.

Cephalon, a biotech facing competition from generics to its main franchise, is being acquired. This is an interesting transaction as the motivation behind this acquisition is all about gaining access to the strong cash generation of this company rather than the drug pipeline. We have been invested in Cephalon for some time as we believe management would deploy the cash in the right way. This time Cephalon may have been a little too slow and someone else will manage the money from now on.

Merck has been the disappointment this quarter. Vorapaxar, a new anti-thrombosis drug in phase 3 testing, encountered problems in patients with a history of stroke. Merck had to amend its trials and exclude this patient subset. This drug has been important for Merck but given this setback the commercial success will be reduced. These setbacks are part of drug development and the focus for Merck is now shifting to the launch of its new anti-HCV drug and early stage pipeline drugs.

During the quarter we trimmed some of our biotech holdings such as Ariad and Pharmasset, at the same time we added to Gilead and Sanofi-Aventis. Sanofi-Aventis has now completed the acquisition of Genzyme, diluting the patent problem and diversifying the company further.

This quarter we added Complete Genomics to the portfolio. This company provides whole human genome sequencing services. Sequencing has seen tremendous change in the past few years and the idea of the $1,000 genome is becoming reality. Complete Genomics has industrialised the sequencing process and has paid close attention to the IT infrastructure that is necessary to store and analyse the vast amount of data. Complete Genomics is run by software experts, electrical engineers, IT specialists and molecular geneticists. This expertise combined is exactly what is needed in today's sequencing world as it is not so much the sequencing technology that is the limitation, but rather the data analysis that is the bottleneck.

Commentary and Outlook

For three decades sequencing genes was a very manual, labour intensive process. Post-docs happily outsourced their sequencing work to PhD students, who then could make it into a whole thesis. This illustrates what a big task sequencing was.

Today sequencing is just one tool in the molecular biology tool box and next generation sequencing (3rd generation is coming) has revolutionised the field. In 2006, 2nd generation sequencing was introduced by US biotech Solexa, a company we were invested in but was acquired from us by Illumina.

Solexa's technology represented a step-change in terms of automation, throughput, accuracy and speed. This technology was able to produce data for one Giga of bases[1] per run (or over 300Mio bases per day). To put it into perspective until then, ABI's high throughput sequencer was only able to generate 1-2Mio of bases a day.

Since 2006 the race is on to produce an ever increasing amount of bases per run. ABI (now part of Life Technologies) developed its own 2nd generation technology and in 2007 ABI was able to sequence 4 Giga bases per run. Three years later Illumina produced 25 Giga bases a day and this year Illumina's technology will be able to produce 600 Giga bases of data per run (~40 Giga bases per day). Life Technologies is not far behind and its technology will offer the same output later in the year.

It is clear that from now on the base output will continue to rise, while the price for sequencing will decline. The reagent costs for a 600 Giga base run are about $5,000 and Illumina offers human sequencing services for less than $15,000. Third generation technologies, already ready for launch, will simply accelerate this process.

[1] One Giga bases equals one billion of bases. Genetic material is made of base pairs; for example the human genome has about three billion base pairs.

However, one big problem remains, how do you decipher and analyse the vast amount of data that is being generated by these efficient machines. Illumina and Life Technologies sell the sequencing equipment and reagents as well as software but it is up to the researcher to come up with the brainpower to make sense of the "bases" and put it into clinical or biological context. Not every Institute, pharma, biotech or hospital for that matter has the resources to invest into highly sophisticated IT infrastructure and establish a bioinformatics department.

These thoughts lead us to look for companies that offer sequencing together with the analysis process. Complete Genomics fit this profile. This is a US-biotech offering HUMAN genome sequencing services to researchers; scientists send their samples and receive a detailed analysis of the genetic material. In the coming years this offering will most likely be expanded to clinicians.

The advantage of Complete Genomics is its combination of science, technology, IT and software. Complete Genomics runs a high tech sequencing lab with a lot of robots lined-up and hooked-up to computers. Their IT system is made up of 5,000 processors, 1,500 terabytes of disk storage all linked by a network that transmits data at 30 gigabytes per second.

The system is easily scalable and the company is considering opening additional labs in the US; for now they have one lab on the West Coast.

In terms of base generation, Complete Genomics can easily keep up with Illumina generating over one terabases a run.

It is these types of technology advances that are exciting in Biotech and we will continue to discover them. Unfortunately we are not alone and often companies like GE, Life Technologies or Siemens acquire them too quickly for us to enjoy their full potential.

Merger and acquisitions remain a theme in healthcare and we are sure it will continue for some time to come.

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 historical 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).

   The inception dates for each Fund are as follows:
   Platinum International Fund: 30 April 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 March 2006 to 31 March 2011 relative to their Index (in A$) as per below:
   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net Index
   (nb. 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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