

# Platinum International Health Care Fund



**Bianca Ogden**  
Portfolio Manager

## Performance

(compound pa, to 31 March 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund	8%	21%	15%	20%	10%
MSCI AC World HC Index	3%	9%	13%	21%	8%

Source: Platinum and MSCI Inc. Refer to note 1, page 3.

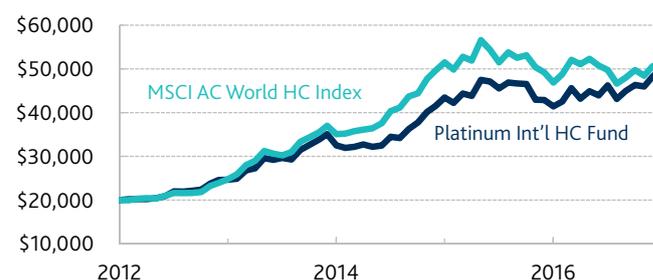
## Disposition of Assets

REGION	31 MAR 2017	31 DEC 2016	31 MAR 2016
Europe	39%	41%	39%
North America	35%	34%	29%
Japan	5%	3%	4%
Australia	5%	5%	1%
Asia and Other	1%	2%	1%
South America	0%	0%	1%
Cash	15%	15%	25%
Shorts	0%	0%	-1%

Source: Platinum. Refer to note 3, page 3.

## Value of \$20,000 Invested Over Five Years

31 March 2012 to 31 March 2017



Source: Platinum and MSCI Inc. Refer to note 2, page 3.

## Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
Sanofi SA	France	Pharmaceuticals	3.5%
Roche Holding AG	Switzerland	Pharmaceuticals	3.5%
AstraZeneca Plc	UK	Health Equip & Services	3.4%
Johnson & Johnson	USA	Pharmaceuticals	3.0%
Qiagen NV	Germany	Health Equip & Services	2.7%
MorphoSys AG	Germany	Biotechnology	2.6%
Prothena Corp	USA	Biotechnology	2.5%
Gilead Sciences Inc	USA	Biotechnology	2.4%
Foundation Medicine	USA	Health Care Providers	2.3%
H Lundbeck A/S	Denmark	Pharmaceuticals	2.3%

As at 31 March 2017. Source: Platinum. Refer to note 4, page 3.

For further details of the Fund's invested positions, including country and industry breakdowns as well as currency exposures, updated monthly, please visit <https://www.platinum.com.au/fund-updates/#MonthlyUpdatesForThePlatinumTrustFunds>.

## Performance

The quarter saw a fair amount of tweets and politics. For now, “repeal and replace Obamacare” is on hold while the debate of what to do next continues on Capitol Hill. This adds uncertainty for investors, but we remain focused on companies with strong innovation and maintain a healthy cash position.

Our biotech holdings in particular have been significant contributors to performance for the quarter as well as for the year, while our European pharma holdings are showing resilience in the face of all the distracting political chatter.

The fact is that companies are continuing their innovation journey and this quarter saw 11 new drugs approved by the US Food and Drug Administration, comparing nicely to a total of 22 approved throughout the whole of last year.

*Dupixent* (by Sanofi and Regeneron) and *Ocrevus* (by Roche) are two of the newly approved drugs. Both are very important new assets to Sanofi and Roche respectively, as they will allow the companies to add new disease franchises to their portfolios. For Sanofi, it will be dermatitis, while for Roche it will be Multiple Sclerosis.

## Changes to the Portfolio

New listings in healthcare remain limited, while follow-on raisings continue to be active and private funding rounds are attracting a good amount of capital. Corporates themselves are active and seem to be moving swiftly when an offer presents itself. Two of the Fund’s holdings were snapped up this quarter. Japanese pharmaceutical company Takeda acquired US biotech **Ariad**, while Swiss biotech **Actelion** was acquired by Johnson & Johnson.

Both Ariad and Actelion were longstanding holdings in the Fund and each company has a unique “asset”. As detailed in our September 2016 Quarterly Report, Ariad is a company with strong medicinal chemistry expertise. It has successfully tackled significant commercial hurdles while also investing in its pipeline. Similarly, Actelion in its life time had to fight off aggressive hedge funds pressuring the company to reduce its R&D spend. Actelion stuck to its strength and now owns the most comprehensive portfolio of approved products for the treatment of pulmonary arterial hypertension.

**Stada Arzneimittel**, our German generic consumer healthcare investment, also attracted interest from several private equity firms. We always thought that the company had a great foundation but required a firmer management to bring out its potential.

French biotech **Ipsen** has been actively adding to its oncology franchise via licensing deals. The market has finally realised that this company has gradually expanded its specialty focus which will start to be reflected in profits in the years ahead.

It is vital in drug development today to look far and wide for opportunities and have the right people scour the world for innovation. Companies that manage to achieve the right balance between internal and external growth are the ones with the greatest chance of success.

Precision medicine remains a focus. Growing demand for tests and other services, along with improving reimbursement rates by insurers, is benefiting our holdings in this area.

Gilead has been a poor performer recently, even though its Hepatitis C business has not fallen off a cliff as some had feared. Gilead generates significant cash flows and, in time, will deploy the money and invest in innovation. Meanwhile, its HIV franchise remains steady and the company is looking to launch its next generation integrase combination therapy next year.

As a number of biotechs have performed very well, we trimmed the positions and added to investments that have lagged due to “limited” catalysts. We also added to **Roche** as we expect that its scientific rigour and depth in oncology, along with its diversification into Multiple Sclerosis, will reap rewards in the long-term.

## Outlook

The healthcare cost debate will continue for the foreseeable future, thus increasing the need for companies to be more efficient. The idea that a drug developer needs to cover many diseases is no longer feasible. Companies that stick to the status quo will find the future challenging. Those that know how to let go of old achievements and look beyond the familiar for new opportunities (at a reasonable price) while at the same time remain focused on their core strengths will prosper.

[Download a copy of the full Platinum Trust March 2017 Quarterly Report to read the macro overview and general market commentary written by Andrew Clifford, CIO. Members of our investment team recently undertook a series of company visits on separate trips to China and Japan. You may also find in the full Platinum Trust report Andrew Clifford's detailed account of his observations on the ground in China and Scott Gilchrist's colourful note reflecting on his trip with Kerr Neilson to Japan, meeting with 34 companies over seven days.](#)

## Notes

- The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specified 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. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Funds' underlying assets 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

(NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

- The investment returns depicted in this graph are cumulative on A\$20,000 invested in the relevant Fund over the specified five year period relative to the relevant benchmark index as follows (the "Index"):
  - Platinum International Fund – MSCI All Country World Net Index (\$A)
  - Platinum Unhedged Fund – MSCI All Country World Net Index (\$A)
  - Platinum Asia Fund – MSCI All Country Asia ex Japan Net Index (\$A)
  - Platinum European Fund – MSCI All Country Europe Net Index (\$A)
  - Platinum Japan Fund – MSCI Japan Net Index (\$A)
  - Platinum International Brands Fund – MSCI All Country World Net Index (\$A)
  - Platinum International Health Care Fund – MSCI All Country World Health Care Net Index (\$A)
  - Platinum International Technology Fund – MSCI All Country World Information Technology Net Index (\$A)

(NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist then.)

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- Geographic exposures (i.e. the positions listed other than "cash" and "shorts") represent any and all of the Fund's physical holdings, long derivatives (stock and index), and fixed income securities as a percentage of the Fund's net asset value.
- The table shows the Fund's top ten long stock positions as a percentage of the Fund's net asset value. Long derivative exposures are included. However, short derivative exposures, if any, are not.

- Sector breakdown represents the Fund's net exposure of any and all physical holdings and long and short derivatives (stock and index) as a percentage of the Fund's net asset value.
- The table shows the Fund's net currency exposures as a percentage of the Fund's net asset value, taking into account any currency hedging.

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