

PLATINUM INTERNATIONAL HEALTH CARE FUND



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PERFORMANCE AND CHANGES TO THE PORTFOLIO

PERFORMANCE (compound pa, to 30 June 2008)					
	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM INT'L HEALTH CARE FUND	-8%	-14%	-8%	2%	0%
MSCI HEALTH CARE INDEX	-5%	-19%	-11%	-4%	0%

Source: Platinum and MSCI. Refer to Note 1, page 4.

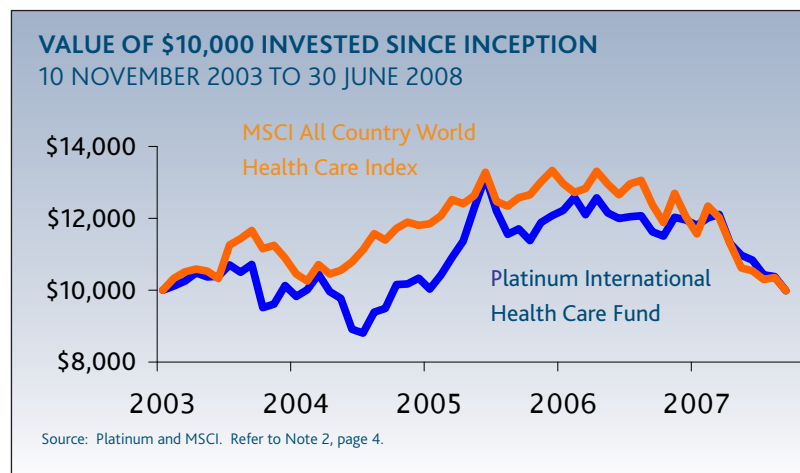
The Platinum International Health Care Fund declined 7.8% in the quarter compared to the MSCI Health Care Index decline of 5.2%. For the year the Fund lost 14% versus -19% for the Index.

Small biotech and medtech companies continue to decline, while their big counterparts are obvious hiding places for the moment. Interest is also increasing in companies with a limited range of products or solid prospects of a new product launch. Elekta, our Swedish imaging company, falls into this category and has made exceptional progress in the US taking share from competitors. Also, doing well are our US mid-cap biotechs OSI Pharmaceuticals and Cephalon, both companies at the beginning of a new product cycle in oncology.

Our small biotech holdings have been disappointing again, with some now trading close to their cash balances. We did exit a number of our holdings due to drug delays or simply due to diminishing cash levels. However, the companies we continue to hold have close alliances with pharma and there is no doubt that the current valuations will soon

DISPOSITION OF ASSETS		
REGION	JUN 2008	MAR 2008
NORTH AMERICA	44%	44%
EUROPE	30%	26%
JAPAN	3%	4%
ASIA	2%	2%
SOUTH AMERICA	1%	1%
CASH	20%	23%
SHORTS	2%	2%

Source: Platinum



restart M&A activity in this sector. Already during the quarter Japanese pharma has shown that they are happy to pay significant premiums to gain access to US biotechs. With this in mind we added to the portfolio several new companies that have a diverse pipeline or a particularly strong disease expertise.

Big pharma finally attracted some interest, albeit only late in the quarter. It is well understood that drugs will lose their patent protection, while current internal pharma pipelines will only offset some of the pain. Valuations do take that into account but dismiss, in some instances, the R&D efforts at these companies. With this in mind we added Sanofi-Aventis to the portfolio, a company with a strong R&D culture and an outstanding vaccine business.

COMMENTARY

There is no doubt; biotech will come to the rescue of pharma. Already about 25% of prescription drug sales (or \$100bn) derive from licensed products. Even more telling is the following statistic, namely that, from January 2006 to December 2007, about two thirds of newly approved drugs in the US were originally developed from biotech research.

The biotech sector offers a very diverse set of assets. At one extreme there are the US biotechs (see table below, six of them, overall capitalisation of almost

\$249bn) that have successfully developed and launched new products. It used to be the belief that their success was based on “biologics” such as antibody drugs, but this is no longer the case, as small molecule companies such as Celgene and Gilead are part of this selective group. Further, Genentech, the largest biotech with the biggest focus on biologics, is heavily investing into small molecules. The table below (in US\$bn) also shows the valuation of these biotechs in comparison to Johnson & Johnson and Sanofi-Aventis. It is interesting to see that Genentech with over 10,000 employees is similarly capitalised to Sanofi-Aventis, a company with a global presence and a workforce of almost 10 times as many workers. This fact again makes Sanofi-Aventis an interesting company, while Genentech does look expensive.

Overall, big biotechs are not exactly cheap and these companies have matured fast over the last 12 months, with sales slowing and business development teams being much more active looking for external product opportunities at small biotechs.

Small biotechs are the other big part of the sector. They can be considered “drug engines”. A lot of high risk work is done in their labs and at times it leads to new, exciting drugs, but quite often only after significant disappointments along the way. These companies usually have 100 to 500 employees, valuations of \$100mn to \$1.5bn and pipelines of three to five drugs in phase 1 and phase

BIOTECH COMPANIES - VALUATIONS							
COMPANIES	CLAIM TO FAME	MARKET CAP	REV 09	PE 09	EV/SALES	R&D SPENDING	EMPLOYEES
GENENTECH	Antibody drugs for oncology	84	10.9	21	7.2	2.4	10,500
AMGEN	Protein and Antibody drugs (kidney disease, oncology, inflammation)	53	14.3	12	3.9	2.6	20,000
GILEAD	Small Molecule drugs for HIV	50	6.1	21	7.9	0.7	2,500
CELGENE	Small Molecule drugs for oncology	28	3.0	29	8.7	0.7	1,200
GENZYME	Protein drugs for niche indications	21	5.2	17	3.8	1.0	10,000
BIOENLDEC	Protein drug for Multiple Sclerosis, Antibody drug for oncology	18	4.3	16	3.9	1.0	3,750
JOHNSON & JOHNSON	Diversified Health Care	185	65.0	13	2.8	7.9	100,000
SANOFI-AVENTIS	Pharma Company	88	44.0	7	2.0	7.0	99,500

Source: Biotech Companies

2 clinical development. The most interesting ones have a strong drug discovery engine and have worked with pharma or big biotech for most of their existence; frequently they have been spun out. Currently, this group is struggling to hold investors' interest but will find a more receptive audience among pharma - some of whom are overflowing with cash!

Also interested in these "drug engines" are the mid-cap biotechs (\$2bn to \$15bn). These are companies that frequently represent very good investment opportunities. They are profitable but have maintained a very "small biotech-like" culture. At the same time they are not seen as "trendy" as the elite top group of the biotech sector is seen and as such, neglect, particularly outside of the US, can be found from time to time.

A big advantage for these types of companies is also their openness and willingness to look at small or niche product opportunities. Another advantage with these companies is their focus on a particular therapeutic category and on geographic regions. US biotech Cephalon is a good example of this group. The company sells a specific range of drugs mostly in the US (neurology related) and has now, since the approval of the licensed drug Treanda, expanded into cancer treatment. Their licensing track record is exceptional and the next part of the story will be their gradual expansion outside the US. At 13x 2009 earnings and 3x sales, the valuation is not excessive.

Mid-cap biotechs will continue to be interesting. Already we have seen a very strong signal that this group has something to offer. During the quarter Japanese pharma made a bold statement by acquiring two mid-cap US biotechs at high prices. Others will follow either as alliance partners or as a way of gaining access to a particular geographical region.

OUTLOOK

The sentiment towards big pharma is improving, which will benefit our large holdings. Valuations of the sector are at historic lows and interest should remain given the strong cash flow prospects for at least the next 3 to 4 years.

Biotechs will see interest from its bigger peers. However, until alliance activity re-starts, small drug developers will continue to be out of favour, while the big caps along with diagnostic and tool companies will find support.

As described in previous reports we see diagnostics as an important part of health care and we will continue to look for new opportunities or add to our current holdings. At the same time we will continue our work on the mid-cap biotechs where we see a lot of value, particularly when looking at it from the perspective of acquisition or in-licencing deals.

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 Unhedged Fund:
Inception 31 January 2005, 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

(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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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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