

Platinum International Health Care Fund



Bianca Elzinger Portfolio Manager

Disposition of Assets

REGION	JUN 2010	MAR 2010
North America	39%	50%
Europe	31%	32%
Japan	2%	1%
South America	1%	0%
Cash	27%	17%
Shorts	1%	0%

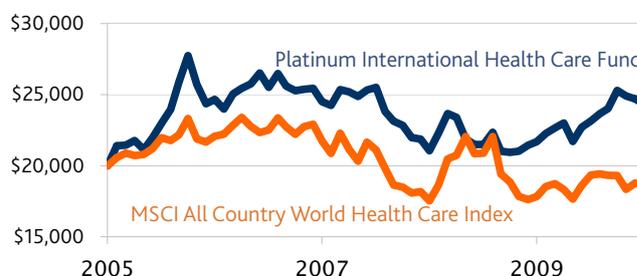
Source: Platinum

Performance and Changes to the Portfolio

The Platinum International Health Care Fund declined by 3.8% for the quarter, comparable to the MSCI Health Care Index which was down 3.2%. For the year, the Fund rose 12.2% while the Index gained only 4.9%.

Consolidation, reform and pricing pressure dominated health care over the past 12 months. Small biotechs benefited from this trend and were the stand-out performers. Incyte Pharmaceuticals along with Caliper Life Sciences and Swedish biotech Medivir all did well for the year. Each of these companies is getting closer to making money. The Fund will continue to hold 16-20% in these small biotechs. There is an insatiable appetite for these small companies and medtech is now also starting to deploy their cash balances.

Value of \$20,000 Invested Over Five Years 30 June 2005 to 30 June 2010



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

Investors have finally realised that sales growth coming from continuous price rises is not sustainable. Consequently, there is disregard for the sector by generalists. However, companies are much less concerned; their biggest challenge is to gradually downsize in these mature markets and shift people, along with money, to emerging markets, including Japan. To us, this is nothing new and many of the companies in our portfolio have already reduced their footprint in the developed Western world. In some cases emerging markets now contribute 25% of sales.

We are also looking to raise our exposure to companies in these growing health care markets. South America has caught our attention and this quarter we added a Brazilian diagnostic service provider that has been testing samples for over 80 years.

We also added Swiss pharma company Roche to the portfolio. Roche offers a solid position in cancer therapy, outstanding biologics capabilities and a diagnostic business. Roche has its challenges but we believe in the sustainability of their current portfolio as well as the pipeline.

Commentary

Future growth in health care will come from emerging markets. For now, multinational companies do not get any credit for their activities in these markets. There is hesitation about the level of profitability and until that is crystal clear to investors, they will remain on the side lines.

We disagree with that appraisal and believe the opportunity is simply too great to be missed. No doubt it is an immense task; there are new rules to be learned and new friends to be made. These markets are culturally and structurally diverse. While the urban centres have seen a lot of health care investment, the rural areas are still in their health care infancy. Getting the drug or device to the right place is complex and best accomplished, for now, using local distributors.

The flipside, however, is the rising demand for improved health care services in emerging markets. Private health coverage is steadily increasing which will, over time, result in more people taking advantage of health care services. Stable employment is also something to watch carefully as are government approaches to price controls.

How do we make sense of these markets and how do we gain exposure? Multinationals are the obvious, safer choice, while local companies are the more difficult option, but the more interesting one.

Brazil is a country we find very interesting. It is one of the largest emerging markets with a relatively young population of over 191 million. About 22% of the population have private health care coverage compared to 60% in Mexico, thus there is room for improvement. The diagnostic industry will be one of the beneficiaries, particularly as Brazilians get older and diagnostic usage rises.

Brazil is very brand conscious and that also applies to the diagnostic industry. In contrast to the US, where third parties direct the patient where to get tested, in Brazil it is the patient along with the physician who make health care decisions.

Patients and physicians are all about service, quality and reliability. For that reason the local diagnostic companies are paying close attention to offering outstanding service beyond the testing sample.

The physical (under one roof) and electronic integration of different testing procedures ranging from blood tests to complex imaging procedures is a big focus, particularly at the diagnostic company Fleury. Similarly, ancillary services that increase the comfort/convenience of the patient are a differentiating factor as is 24 hour support for the doctor in making the correct treatment decision. This comprehensive approach to diagnostic is in many ways a step ahead when compared to the US and Europe.

Diagnostic centres are at the heart of the diagnostic industry in Brazil. Each centre harbours a range of technologies and depending on what plan the customer (patient) has selected, ancillary services such as Internet use, free buffet or child care can be accessed. In a way this model is similar to first, business and economy class on a plane. The outcome is the same, it is more about the journey.

Fleury is the second largest diagnostic provider in Brazil mainly focusing on the private sector and on urban areas. The company offers various levels of service and has also invested

strongly in information technology. Its patient files are more akin to a scientific report, capturing the patient's history in detail and pulling together all the individual tests to provide a medical solution.

Fleury is also expanding into preventive medicine such as disease management. The key in today's health care world is to keep patients out of hospital and allow them to take more control of their health. It is very interesting to see that a Brazilian diagnostic company is following that exact trend and is taking a very holistic and cross divisional approach to health care.

This Brazilian company is an example of what we are looking for: a company with a solid approach operating in a market that is growing. Fleury is currently valued at 17x earnings (excluding cash it is on 15x earnings) and has a solid cash position for further acquisitions.

The shift in health care from the mature western markets to the emerging markets will continue in years to come. We will continue to find opportunities to exploit that theme.

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: 1 May 1995

Platinum Unhedged Fund: 31 January 2005

Platinum Asia Fund: 3 March 2003

Platinum European Fund: 1 July 1998

Platinum Japan Fund: 1 July 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 30 June 2005 to 30 June 2010 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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