

PLATINUM INTERNATIONAL HEALTH CARE FUND

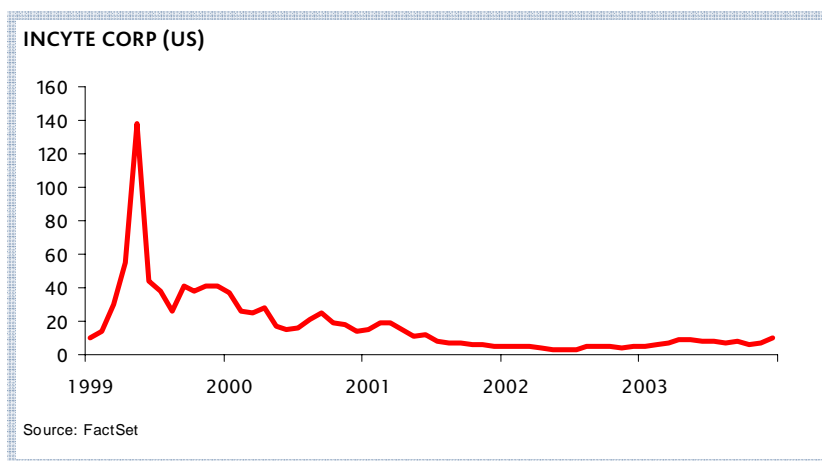


Simon Trevett Portfolio Manager

INTRODUCTION

In this first quarterly report of the Platinum International Health Care Fund we introduce some of our investment themes and approaches.

The Health care sector offers a vast number of companies to choose from, some being engaged in early stage research, and are yet to generate any sales, let alone cash or profits, others producing profits with highly successful pharmaceutical products. Despite the variety of options within the sector we adhere to the underlying principles inherent in investing at Platinum. We use a number of techniques and themes, some of which are expounded upon later, to identify opportunities and potential investments. As should be expected from us, we favour areas of neglect where we can see interesting key themes. An example is Incyte Corp, a stock with a rather neglected long term price chart but which detailed work showed us to have interesting potential. This chart is not dissimilar to a number of others from the Biotechnology Sector.



COMMENTARY

The clarity of hindsight exposes the exuberance of the market, when promises overrode the reality of the inherent complexity of commercial product development. Advancing scientific achievements to commercial fruition requires time and patience. However, the advances in science relentlessly progress, particularly in the field of molecular biology. The results from the application of the billions of dollars raised via the enthusiasm of the markets are beginning to show through. Some companies have made continuous progress and are followed intensely by industry specialists while others have seen their prices struggle and the market has lost interest, even though there is a steady flow of information. There are even occasions when the neglect is such that companies trade below the value of their cash backing.

The Health Care Fund is invested in companies engaged in a wide variety of pursuits, currently ranging in size from US\$100 million through to over US\$200 billion. As seen from the accompanying table the Fund is predominantly invested in North America (58%), followed by Europe (26%). We will continue to appraise investment ideas from Asia, Japan and India, however, it is likely that the current geographic mix will persist for a while given the technological and financing lead that the Western companies seemingly enjoy.

DISPOSITION OF ASSETS		
REGION	SEP 2004	JUN 2004
NORTH AMERICA	58%	56%
EUROPE	26%	23%
JAPAN	2%	3%
OTHER ASIA (INCL. KOREA)	2%	3%
CASH	12%	15%
SHORTS	0%	0%
NET INVESTED	88%	85%

Source: Platinum

Endless reams are written about the ageing demographics, the demanding baby boomers unwilling to grow old gracefully, and the ever increasing incidence in age-related diseases. Likewise, we are also aware of the pressures of politics, drug pricing, expiration patterns of patents on billion dollar drugs and a myriad of headwinds in the sector. Many are legitimate concerns and the stock prices rightly reflect these issues. Others are matters that companies can deal with and emerge with success. It is among this jumble of issues where astute decisions have allowed companies to adjust and adapt, that we attempt to find opportunities.

The mighty Merck Inc, bastion of the US pharmaceutical companies, finds itself facing all these issues. The cause was a highly insular approach to research and development that failed to adequately deliver new compounds at a time they were most needed. This is well understood by investors as they have de-rated the shares from a peak PE in the late 90s of 40x to less than 15x today. A new approach finds Merck Inc actively courting the Biotechnology industry, apparently having entered into more product collaborations and acquisitions in the past two years than in the past decade. It will take time though to assess the cultural changes that are inherent in such a fundamental transformation. More interesting still will be the impact across the industry as each of the giants (Pfizer, GlaxoSmithkline, Novartis et al) all seek out new ways of developing their businesses outside of their own laboratories and offices.

It is interesting to observe how in its own way the financial community is competing for resources as it recruits analysts with PhDs, many with an oncology focus. For many reasons, the advances in molecular biology have been most obvious in the field of cancer research. The aberrant behaviour of the molecular control system of cancerous cells has been studied intensely over decades and is slowly being translated into therapeutic approaches. From a commercial perspective the running of clinical

trials in cancer therapy, are often faster and cheaper than in other therapeutic fields on account of the binary outcome: cancer patients enrolled for these trials have a reduced life expectancy, where existing treatments have failed and as a consequence fewer patients over a shorter time typify cancer trials. In contrast, the development effort for cardiovascular drugs or obesity treatments is associated with lengthy and onerous trials to satisfy safety and efficacy concerns because these drugs tend to be prescribed for long periods of time!

As might be expected, we have taken a slightly different track. Rather than relying on the information from the investment community and their almost exclusive focus on the field of oncology, we have sought to have a broader perspective. Aside from a number of investments that are exposed to the progress being made in oncology, we have endeavoured to seek out progress in other areas such as neurological or psychiatric disorders (eg. Multiple Sclerosis, Alzheimers Disease, Depression) and infectious diseases (eg. Hepatitis C and HIV).

We approach our work not from the perspective of stocks and their prices, but from a review of the scientific literature and also seek out the field's specialist luminaries, tracking their progress and associations through to investment opportunities. We have travelled to the US and Europe several times in the past couple of years and visited many companies, public and private, checking and cross-checking the scientific progress. We also actively seek the assessment of others, both more qualified and closer to the industry, to build confidence in our own observations. We place heed in the evaluation made *and actions taken* by potential collaborators, especially where they have performed their own due diligence on a product, a technology or company.

When meeting with companies we enthusiastically embrace the opportunity to speak with those actively involved in the

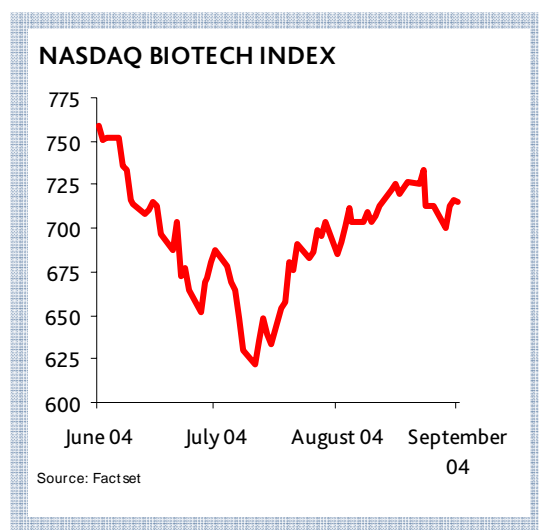
progress of research and development. In many cases we engage the Chief Science Officer or Head of R&D in very extended discussion, often to the disappointment of the CFO or CEO! It is surprising how many companies lament the poor understanding, lack of preparation and dull questions they experience from many of the analysts they encounter. Companies appear to genuinely appreciate our apparently unorthodox approach of trying to understand the business. To quote a Chief Scientist's remark to his CEO from one of our recent meetings "I love it when I get to talk dirty". Apparently an altogether too rare occurrence!

Whilst we also study the progress of products through clinical trials, we are aware that at any stage in the lengthy development cycle of new treatments, unforeseen difficulties will arise. Sometimes these events are sufficiently serious to result in the termination of the program, on other occasions small changes are required and a product launch is delayed. However, such issues frequently result in the loss of years of investment. Thus, we prefer to invest in companies that have a number of dimensions that allow the company to weather such setbacks; albeit sometimes only partially and over time.

Beyond the drug developers, be they pharmaceutical or biotechnology companies, we are developing the theme that very few drugs in this world are truly effective and most also carry an unacceptable side-effect penalty. Surely, without antibiotics mankind would be in some strife, but even in this field where drugs fight the infection, concerns exist over how well individual patients respond. (There are also the ongoing difficulties of bacterial resistance.) We believe there are interesting investment opportunities in the tools and technologies that support the development of tailored therapies and personalised medicine, based on more exquisite knowledge of pathogen, disease or person. More discussion of this theme will appear in future quarterly reports.

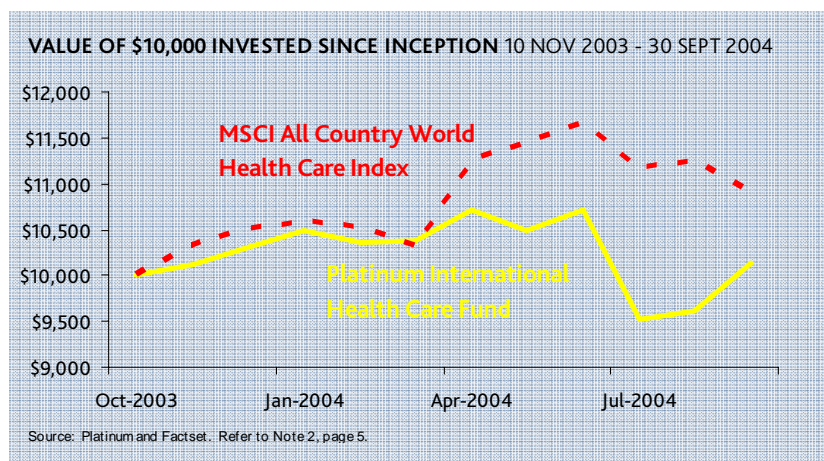
PERFORMANCE AND OUTLOOK

Performance over any short period may well be quite volatile. The chart below is of the Nasdaq Biotechnology Index for the past quarter: a drop of nearly 20% followed by a more gradual recovery.



Given the exposure of the Fund to the US biotechnology sector, it is likely that over such short time periods the Fund will also display some volatility. The Fund ended the quarter down 5.5% having experienced a similar decline and recovery across the quarter. Currently, the Fund is invested more heavily towards drug development than providers of tools and technologies to support basic research or at the other end of the health care spectrum, hospitals (though we do have a position in a European Hospital company). This coincides with a seasonal tendency for the drug development stocks to be influenced by the many scientific, medical and investor community conferences occurring over the next quarter. There is also the US election, and not unlike our own politicians, there will be plenty of discussion about health care and its funding which may unduly influence stock prices over the short term.

Simon Trevett and 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

(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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The Platinum Trust Product Disclosure Statement No. 5 (*PDS*), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's web site, www.platinum.com.au, or by contacting Investor Services on 1300 726 700 (*Australian investors only*), 02 9255 7500 or 0800 700 726 (*New Zealand investors only*) or via invest@platinum.com.au.

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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