

Platinum International Health Care Fund



Bianca Elzinger Portfolio Manager

Disposition of Assets

REGION	SEP 2010	JUN 2010
North America	39%	39%
Europe	35%	31%
Japan	2%	2%
South America	1%	1%
Cash	23%	27%
Shorts	1%	1%

Source: Platinum

Performance and Changes to the Portfolio

The Platinum International Health Care Fund declined by 1.5% for the quarter while the MSCI Health Care Index was down 4.3%. For the year, the Fund rose 4.1% while the Index declined 2.4%.

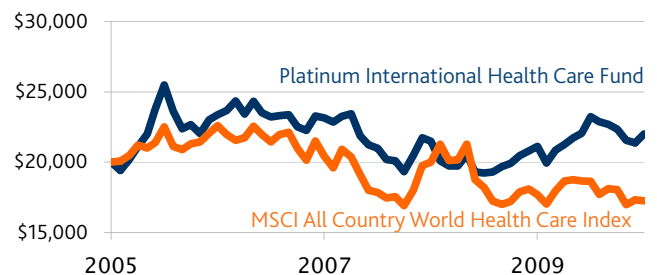
During the quarter, Belgian based Movetis and Dutch vaccine maker Crucell have been acquired at up to 70% premium positively impacting the Fund. On the downside, currency has limited the performance this quarter.

Movetis and Crucell have been typical acquisition candidates. Both companies have been successful in getting drugs or vaccines approved. Movetis (now part of biotech company Shire), was at an early stage of commercialising a constipation drug in several European countries. Shire will be able to accelerate this process and will sell the drug in more markets while at the same time invest in further clinical development of the drug.

Crucell (soon to be a Johnson and Johnson (JNJ) company), has been a more mature company selling travel vaccines in several markets as well as childhood vaccines to the developing world. Crucell has a solid manufacturing track record and an emerging pipeline of vaccines and antibodies, aspects that JNJ knew very well as the two companies have been partners for a while.

Value of \$20,000 Invested Over Five Years

30 September 2005 to 30 September 2010



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

Replenishing product portfolios via acquisitions is a key theme among companies. We strongly believe this will continue and it is worthwhile remembering that by 2015 US pharma alone will have accumulated \$65 billion in net cash.

The Fund is ideally positioned and we are confident that several of our holdings will either be acquired or the target of licensing agreements. During the quarter we added to our biotech holdings and also added Swiss biotech Actelion, who has an exceptional global position in pulmonary hypertension and new products in development to defend, as well as expand its position.

We also added a new virology company, Pharmasset. This company is developing drugs for Hepatitis C and so far, data looks promising. Roche is Pharmasset's partner and has a strong interest in developing HCV drugs.

Commentary

It is telling when a US iconic drug company like Pfizer is proud to tell investors that they have become less US-centric and that their research and development (R&D) dollars are leaving the US to be deployed in countries that offer much better value for money.

We have anticipated this shift away from the US but have always been cautious how rapid it may be. After a recent trip to the US and Europe we feel much more confident that companies have seriously started to change.

However, we are less confident that investor's mindset has kept pace. To them the US is still the market to compete in despite its maturity. At the same time, the complexity of emerging markets is being ignored and many investors have inflated expectations anticipating financial benefits within months.

On the recent visit it was very clear that the US Health Care industry, as it was, does not exist anymore. Direct to consumer (DTC) advertisements such as TV ads have almost vanished from US televisions. This is a real change, as DTC, together with an army of sales representatives, were the cornerstone of drug marketing. Instead hospitals are now the big advertisers hoping to secure patients, particularly as many more US citizens should have health care coverage by 2014.

The mindset of health care consumers is also changing quickly, influenced by the recent recession. No longer is everyone rushing to the doctor or into a pharmacy at the first sign of a sniffle.

Big companies, from drug/device developer to distributor and service providers, are adapting to these trends: growth and cash has shifted to Asia and Latin America. Markets in the US and Europe for that matter, will resemble more of a consumer-driven market with expense control a priority and some new products allowing some, but more stable, sales growth.

Investors, however, are still far too US-centric in their thinking. They are still looking for that blockbuster drug that benefits from generous US pricing (yes, there is still denial that the US market is mature), while emerging markets are seen as the quick fix with limited profitability.

We do not doubt that blockbusters will still be produced but it will be driven by a global launch rather than the US only.

We see emerging markets as a long-term opportunity and not at all as a quick fix. It is seemingly forgotten that many emerging markets do not yet have a sophisticated distribution network or a well-established reimbursement system where a US-made drug can simply slot in. These things need to be established with solid profits to follow on later.

The good thing for us, we can take advantage of this discrepancy. On our travels it was very clear that companies have done their homework and so have we.

The companies are replenishing their product portfolios by using their balance sheets, they have realised that more R&D spending does not translate into more or better products at all, and they also know that an army of sales representatives can be a waste of time.

Companies are much less negative; they are excited about their new playing field. Emerging markets require real thinking and operational ground work, something that makes management's eyes light up.

This industry is at a very interesting inflection point with new products becoming available. Just this quarter a new MS pill was approved eclipsing the previous method of injecting. The drug was discovered by Japanese pharma company Mitsubishi-Tanabe and developed by Novartis, both held in the Fund.

There is a lot of negative news about lower "health care utilisation" in the US and price cuts in the European Union. However, this distracts from the fact that health care companies are pretty resilient and adaptable long-term; they take longer to change but they do get there in the end.

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 30 September 2005 to 30 September 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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