

PLATINUM INTERNATIONAL HEALTH CARE FUND



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Portfolio Manager

PERFORMANCE AND CHANGES TO THE PORTFOLIO

PERFORMANCE (compound pa, to 31 December 2008)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
PLATINUM INT'L HEALTH CARE FUND	-8%	-16%	-2%	0%	0%
MSCI HEALTH CARE INDEX	1%	-1%	-2%	3%	3%

Source: Platinum and MSCI. Refer to Note 1, page 36.

The Platinum International Health Care Fund declined over 8% in the quarter compared to the MSCI World Health Care Index (A\$) returning less than 1%. For the year, the Fund lost 15.8% versus a loss of 1% for the Index.

This is a disappointing performance mostly due to the decline of our small biotech holdings (a decline on average between 50-60%). The Index does not include any of these small companies.

Also contributing to the big disparity between the Fund and the Index has been the currency, particularly the strength of the US dollar. The Index is heavily weighted towards US stocks (70+%).

Small biotechs have funding issues and consolidation will occur albeit in a selective way. On this basis, we have reassessed our positions and do feel that the biotechs we own have pipelines or technology that are of interest to a third party.

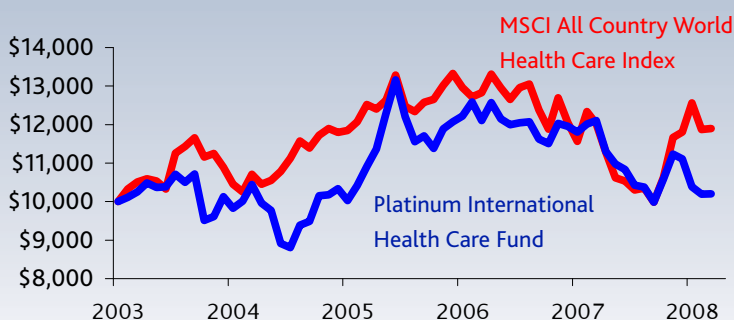
DISPOSITION OF ASSETS

REGION	DEC 2008	SEP 2008
NORTH AMERICA	39%	47%
EUROPE	28%	30%
JAPAN	2%	3%
CASH	31%	20%
SHORTS	5%	2%

Source: Platinum

VALUE OF \$10,000 INVESTED SINCE INCEPTION

10 NOVEMBER 2003 TO 31 DECEMBER 2008



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

Our big pharma, big biotech, generic and vaccine companies continue to be favourites as their growth is predictable at least for the next 2-3 years. We trimmed our positions in Johnson and Johnson as well as Teva, and significantly reduced our exposure to Novartis. These companies have done well over the year. Novartis in particular has been very strong but we feel there are better opportunities elsewhere.

US pharma Merck was added to the portfolio. A year ago Merck could do no wrong; today the company is seen as having lost its way again. The share price has declined around 50% and Merck is now valued at 9x forward earnings (5.2% dividend yield). Moreover, the company is by no means isolated from patent issues; in fact, Merck will lose its biggest drug by 2012 to generics. Nonetheless, this company has a remarkable track record of dealing with significant setbacks, has a stable vaccine business and is leading the way in introducing and researching new drugs.

We also added to Belgium biotech UCB as the company received approval for a new epilepsy drug which will offset the patent expirations of UCB's lead drug.

During the quarter the considered safe havens, medtech and life science tool companies, declined rapidly. Various elective surgery procedures are slowing and hospitals along with pharma/biotech are watching their big item expenditure very carefully. At the same time, the strength of the US dollar revealed the extent to which these companies owed their earlier growth to exchange rate benefits. The exposure of the Fund to these companies was limited as we had previously trimmed our positions, however, we may now wish to add to our holdings over the following months.

COMMENTARY

Biologic drugs have been the core of the biotech industry for more than 20 years, while pharma stubbornly focused on small molecules believing that biologics were far too expensive to make.

As it happens, things have turned out differently. Today biologics are highly profitable, easier to make than anticipated, competition is limited and most importantly, the chance of a "generic" eliminating 80-90% of sales in less than three months (that is pharma's patent expiration problem) does not exist for these complex molecules. No wonder that pharma is highly envious of big biotech and is in a rush to add these strong, long-term cash flow generators.

Simply acquiring a biotech or a biologics pipeline is one approach used by some pharma companies but the more interesting one comes from US Merck. The company is adding "Biosimilars" to its portfolio and is, besides Teva and Novartis, one of the few companies that is seriously investing in this new market.

"Biosimilars" are improved versions of already approved biologics; so we know that they work. In the next 10 years many biologic drugs will lose their patent protection (by 2010 the total US biologics drug market is estimated to exceed \$60bn in sales), basically opening up a complete new market. The majority of generic companies have stayed away from this area as approval requires costly clinical trial work, a process from which small molecule generics are exempt. Merck is fully equipped to do clinical trials and has also made sure that the company has a technology and cost advantage over others when it comes to manufacturing these complex molecules.

Since 2005 Merck has been working with a biotech company that has been able to genetically modify yeast to add sugars in a very defined way to biologic drugs; something that has been a hurdle in the past. Merck acquired the biotech and has quietly worked away in building its biosimilar pipeline ready for launch once the patents expire.

Merck's biosimilar endeavour also comes at a time when in the US, the Democrats are looking to establish a regulatory path for these complex molecules. Biologic drugs are very expensive and governments will be more than happy to finally generate some competition in this area.

Overall, Merck has again set an example in showing a willingness to start something new and to put the pieces in place internally. Patent expirations on their traditional portfolio will be a problem but analysts have written about that at length, while the "biosimilar" opportunity is getting little attention. Also, Merck has a good cash position and has shown that it uses its money wisely.

OUTLOOK

Big pharma, big biotech and generic companies have been defensive in recent months and will be less exciting in the short-term as investors look for risk. Small biotechs will see some excitement, which will accelerate once M&A picks up again. However, the funding issues for these companies will remain and long-term many will be forced to put projects on hold. Having sufficient cash to operate through 2010 will become an important challenge for these companies, as will be their ability to attract partners.

For us, the long-term issues of the health care industry have not disappeared and in the US the focus on reducing health care costs will increase. One way of achieving this task is the wider use of diagnostic tools in drug development at hospitals and at the doctor's office.

We will take advantage of a short-term rally and trim positions in well-liked companies in favour of companies that are well-managed, profitable and have growth opportunities beyond 2010.

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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The Platinum Trust Product Disclosure Statement No. 8 (PDS), is the current offer document for the Funds. You can obtain a copy of the PDS from Platinum's website, 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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