

Platinum International Health Care Fund



Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	DEC 2011	SEP 2011
North America	33%	40%
Europe	31%	30%
Japan	4%	4%
South America	1%	1%
Asia	1%	1%
Cash	30%	24%
Shorts	3%	3%

Source: Platinum

Performance and Changes to the Portfolio

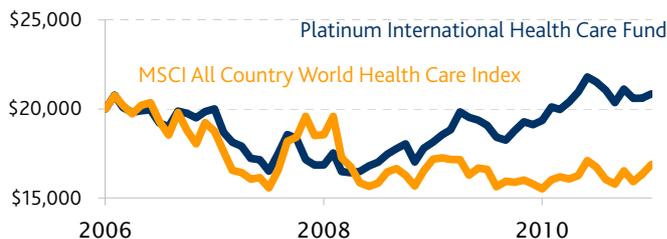
The Platinum International Health Care Fund advanced 7.8% for the year, while the MSCI Health Care Index rose 8.9%. For the quarter, the Fund declined by 1.2%, while the Index rose 2.2%.

You may recall our Quarterly Report for December 2010 describing the evolving Hepatitis C landscape. Over the past 12 months, events unfolded rapidly adding to the performance of the Fund.

Vertex and Merck received approval of their respective first direct acting anti-HCV drugs (so-called protease inhibitors). Whilst a significant event, we felt that the Vertex valuation failed to account for the limited timeframe of its drug Incivek; superior drugs are moving rapidly through development and should be approved in the next 2-3 years. Furthermore, administration of Incivek is not simple and this limits the number of patients a doctor can treat each week. Our analysis proved to be right, and our short position did well for us.

Value of \$20,000 Invested Over Five Years

31 December 2006 to 31 December 2011



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

At the same time, our investment in a second class of anti-HCV drugs, so-called nucleotide inhibitors, did exceptionally well. We invested in Pharmasset in October 2010, a US biotech with a solid knowledge and pipeline of this drug class. This class has the potential to eliminate the virus faster and potentially eliminate the current standard of care regime of Interferon and Ribavirin. Throughout the year Pharmasset generated data that continued to confirm such a profile and this quarter the company was acquired by Gilead Sciences for about \$11 billion (we bought Pharmasset at a market value below \$1 billion). Gilead could have bought Pharmasset at a cheaper price but we doubt that the company was for sale.

We continue to hold Gilead Sciences as we believe in the sustainability of their HIV franchise and also believe that the Pharmasset asset in Gilead's hands will pay off over the long-term.

This quarter we added to our Medivir holding (HCV protease inhibitor). Medivir has been one of the worst performers this year. The market has been very biased seeing nucleotide inhibitors dominating HCV therapy, dismissing next generation protease inhibitors almost entirely. We disagree; Medivir's drug is currently tested in combination with Pharmasset's drug and we believe protease inhibitors, particularly Medivir's drug, will have an important place in HCV treatment, shortening the length of treatment.

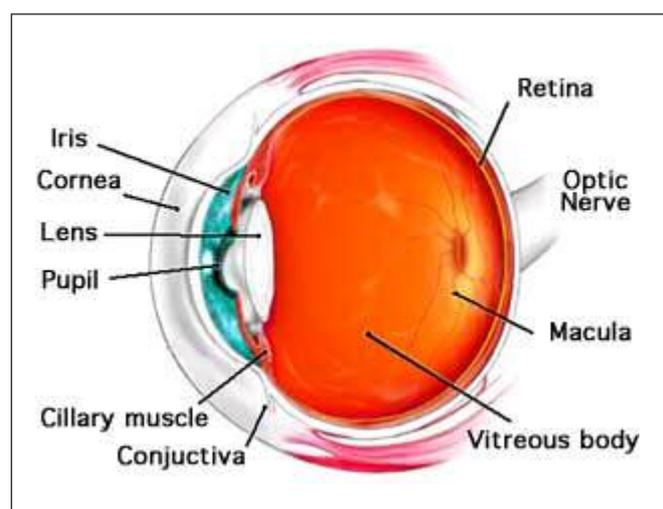
Biotech Ariad was also a bright spot this year. The company's blood cancer drug is very powerful and Ariad has ambitious plans to sell the drug by itself in the US (upon approval). With the recent \$200 million equity raising, Ariad is well-financed to achieve this goal.

The performance of Sanofi and Roche also made a difference. Investors are getting more comfortable with the long-term profile of these companies.

Our diagnostic holdings Qiagen and Alere both struggled with lower diagnostic test volumes. However, it is clear that better diagnostics will result in lower healthcare costs. Both, Qiagen and Alere are adding new tests/technologies to their menus; the benefits from these transactions will emerge over time. We added to both holdings during the quarter.

Commentary

The eye is a fascinating complex of nerves, photoreceptor cells, a gel and a lens (see schematic picture below).



Source: www.eyerobics.com.au

While cancer is an area of intense research and development, eye disease along with diagnostic tools, is less widespread and often only a small number of companies have been successful.

In recent years, optical coherence tomography (OCT) has gained strong acceptance as a diagnostic tool. OCT is non-invasive and provides an 'optical biopsy' or tomogram of the retina allowing early diagnosis of a number of diseases of this very crucial part of the eye.

The retina is like a film in a camera. Its light-sensitive tissue captures the light that will subsequently result in nerve impulses. Any problems of the retina can affect vision and thus are important to treat early. Retinal diseases are on the rise and we have been interested in this area for some time.

This year we added Belgian biotech ThromboGenics to the portfolio. ThromboGenics is developing a biological drug called ocriplasmin. Ocriplasmin is able to cleave the connection between the retina and the vitreous (the eye gel). As we get older, the vitreous starts to detach from the retina. However, this detachment process can often be incomplete and the vitreous body starts to tear on the retina/macula causing problems with vision and in some cases blindness (Vitreomac-

ular Adhesion, VMA). Currently doctors either take a wait-and-see approach to the early stages of this condition but once advanced, surgery is required.

ThromboGenics' ocriplasmin represents a pharmacological option and has been successful particularly in advanced stages of the disease. Further trials are ongoing to develop the drug for additional vitreoretinal conditions such as age-related macular degeneration. These are significant opportunities with significant market growth. The company is managed very conservatively and benefits from significant pharmaceutical and regulatory expertise.

In addition to ocriplasmin, ThromboGenics is also developing an anti-clotting drug (phase 2) and in collaboration with Roche, a cancer drug (currently in early phase 2 trials). Valuation of less than €600 million is reasonable for a company with a significant product close to approval and an interesting pipeline.

Outlook

New product launches are continuing and we are keeping a close watch on the progress, as well as the pricing power.

Elections are looming in the US later in the year with health-care again being part of the political agenda.

However, as we have said many times before, innovation is key for healthcare companies and we continue to look for companies that do the hard work and do not succumb to a short-cut mentality. We have planned several trips to meet companies ensuring we stay close to the real activity of the industry.

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 31 December 2006 to 31 December 2011 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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