PLATINUM INTERNATIONAL HEALTH CARE FUND

Simon Trevett
Portfolio Manager

PERFORMANCE

The Platinum International Health Care Fund has had a disappointing quarter losing 14.7% in value, significantly underperforming the MSCI World Health Care Index. The Fund has a large exposure to US biotechnology companies, much more than is represented in the MSCI index. These stocks, with few exceptions, have been in a downtrend throughout the quarter as evidenced by the Nasdaq Biotechnology Index, down 14% for the quarter.

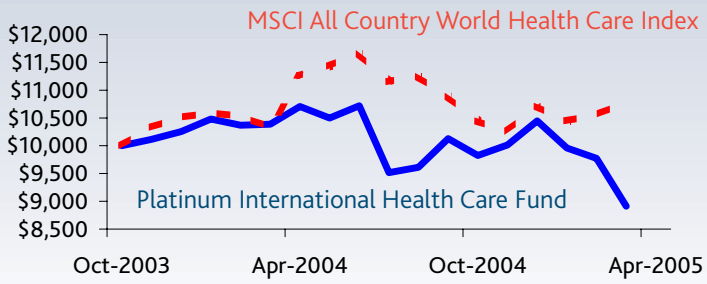
The news has been quite mixed with positive news from Genentech on progress of their drug Avastin in lung cancer, having already shown good results in colon cancer. We have yet to see the clinical trial data, which should be published at the major forthcoming oncology conference, but that hasn't deterred the enthusiasm. It's an interesting thought that investors have been prepared to add more than $10 billion to Genentech's market capitalisation for the additional indication of a drug that might extend the survival of a proportion of patients by perhaps a couple of months. (The Fund has an investment in the Swiss company Roche, which owns more than half of Genentech and has rights to the products outside of the US).

DISPOSITION OF ASSETS

REGION	MAR 2005	DEC 2004
NORTH AMERICA	57%	59%
EUROPE	26%	22%
JAPAN	2%	1%
OTHER ASIA (INCL KOREA)	2%	2%
CASH	13%	16%
SHORTS	0%	0%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
10 NOVEMBER 2003 TO 31 MARCH 2005



Source: Platinum and Factset. Refer to Note 2, page 5.

By contrast we could invest in many other companies whose total market capitalisation is substantially less than the $10 billion and where their potential revenues could be greater than that of Avastin in lung cancer patients. Simplistic analysis? Certainly, but illustrative of the current concern of investors to avoid companies where the risk profile is high and the need to increase spending on uncertain clinical trials is evident. Genentech and Avastin provide some certainty and comfort and surely Avastin will continue to make progress in the ongoing clinical trials and find widespread adoption!

Investors had similarly high expectations for a drug called Tysabri for Multiple Sclerosis. Tysabri is a new class of drug which had garnered much attention and been approved rapidly by the regulatory authorities. Unfortunately, within weeks of being on the market the drug had to be withdrawn due to unanticipated effects, causing the death of two patients. Biogen Idec's stock has fallen over 40% as investors have learnt, yet again following the Vioxx withdrawal last year, that drugs can show undetermined side effects when they enter usage in a wider population than the carefully controlled clinical trials. Clearly wider concerns have been raised about the regulatory approval processes and an increased focus on patient safety.

The biotechnology sector continues to be considered out of favour with a commonly held view that it should remain that way until much later in the year. Whether or not that is the case remains to be seen and in part will be influenced by the risk appetite of investors and the performance of other areas, such as emerging markets or the energy sector. We would remind investors that this Fund will be volatile in performance and that we adopt an investment horizon well beyond the quarter.

CHANGES TO THE PORTFOLIO

We have been judiciously adding to our biotechnology investments, with their overall weighting falling as the stocks decline faster than we have been prepared to add. We have also been introducing investments outside of the biotechnology drug developers, in areas such as devices for vertebrae repair and the service industry for clinical trials.

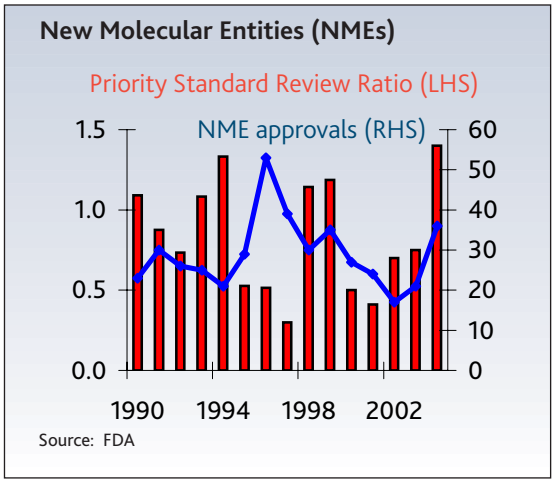
On a geographic basis we added slightly to Japan and Europe whilst only marginally reducing our weighting to the US.

COMMENTARY

Lack of innovation at the big pharmaceutical companies has been a well discussed theme and the debate is ongoing as to who is most to blame, the bureaucratic FDA or the drug development companies themselves. Taking a closer look at drug approvals in recent years reveals an interesting and encouraging trend. Despite the negative sentiment currently, pharmaceutical and biotechnology companies have been very active as last year's FDA approval numbers highlight.

Most important is the number of New Molecular Entities (NMEs), as these drugs represent compounds that have never previously been marketed in the US. In recent years the number of NMEs being submitted to the FDA has been decreasing, raising concerns about innovation at pharmaceutical companies. However, last year has given reason to be optimistic; a total of 36 NMEs were approved, as well as the first gene array for molecular diagnostics has been made commercially available. Compared to 21 NMEs in 2003 this is a significant increase. In addition, many of these new drugs are truly innovative and significantly improve the way certain diseases are being treated. This "quality rather than speed" mentality has been a trend in

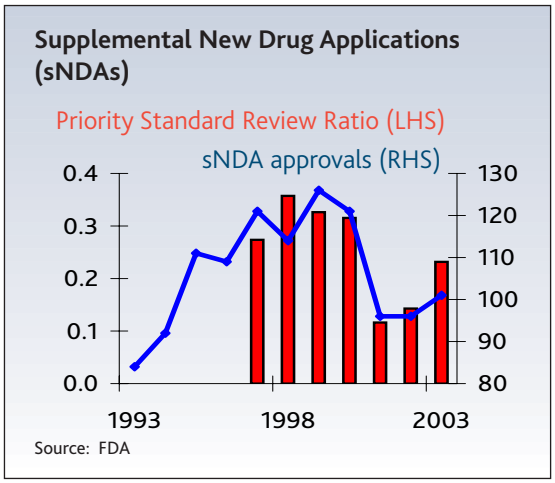
recent years when assessing innovation at drug development companies.



Quantifying quality and innovation is a difficult task and has to consider a number of variables in drug development as well as changes over time. Looking at granted patents for example (1982-2000) shows that pharmaceutical companies have neglected basic/discovery research with the majority of patents coming from sources other than pharmaceutical companies (>80%). R&D spending (% of net sales) also highlights this trend, with R&D expenses rising from the late 70s to the mid-90s with gradually more money being allocated to clinical development and drug life cycle management at the expense of original research.

As a consequence, discovery and pre-clinical development fell behind and most likely caused some of the current pipeline debacle. However, over the past five years a clear shift towards early discovery has become apparent and discovery engines of companies have been a major focus, while R&D expenditure has been more or less stable. In addition, pre-clinical pipelines are being filled and slowly progressing into clinical development with the initial efficacy testing in phase 2 still being the major hurdle. Finding a solution to this road block is a priority but the increasing complexity of treatments, together with a heightened focus on safety, means we will continue to see many failures at this hurdle.

However, more interesting and probably more indicative for innovation is the type of drug approval by the FDA. The FDA differentiates between NMEs, as opposed to non-NMEs or sNDAs (Supplemental New Drug Applications - "me-too" or new formulations of already available drugs). To make it more complex, the FDA can grant Priority-Review status if it feels that the drug is adding a significant improvement to currently available drugs/diagnostics and thus patients should have access faster (within six months of the application versus 12 months). This means an NME that qualified for priority review is truly innovative according to the FDA. Over the last 10-15 years the FDA offers public access to its statistics and classifying the approved drugs accordingly offers some positive trends. Despite the overall number of NME applications decreasing in recent years (1995-2003: 50 to 24) the number of approved NMEs as well as the number of NMEs with priority review designation have continuously increased since 2000. This is positive and may imply that the drug development capabilities have been aligned and focus on quality rather than quantity (at least the FDA thinks so!).



Similar is the situation for sNDAs, a task big pharmaceutical companies have optimised in the last ten years. Since 1995, sNDA filings have

increased significantly but declined from 2000 onwards; indicating that finding a new application for a drug is getting trickier, or the commercial return less attractive. A positive though is the increase in priority review of these sNDAs; again a sign that companies are trying to differentiate their products in crowded and competitive fields.

Taken together, this analysis offers a more exciting and refreshing look at drug innovation. Looking ahead it is now a matter of getting the large amount of pre-clinical compounds into the clinic while maintaining a constant flow of new ones entering the pre-clinical stage. Indications of this trend are visible and the close association between pharmaceutical, biotech and academic institutions will soon deliver new treatment options. New technologies, such as gene chip arrays and molecular markers, are slowly finding a place in late stage development and hopefully ease the phase 2 road block in due course.

OUTLOOK

It can be easy to become overly pessimistic about the biotechnology sector and to be concerned as to the volatility and daily performance. These companies are currently out of favour for a variety of reasons and predicting the timing of a turning point is not realistic. We can however be reasonably confident that both basic science and drug development are advancing daily and that investor interest will return, as it always does.

We suspect that at current valuations we are going to see some acquisition interest develop, again predicting at what point the industry decides mergers or acquisitions are beneficial is impossible. However, at these depressed and declining valuations it is perhaps inevitable that those with strong balance sheets and weak pipelines look to buy rather than build.

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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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.