

# Platinum International Health Care Fund



**Bianca Elzinger** Portfolio Manager

## Disposition of Assets

REGION	MAR 2010	DEC 2009
North America	50%	49%
Europe	32%	33%
Japan	1%	1%
Cash	17%	17%
Shorts	0%	0%

Source: Platinum

## Performance and Changes to the Portfolio

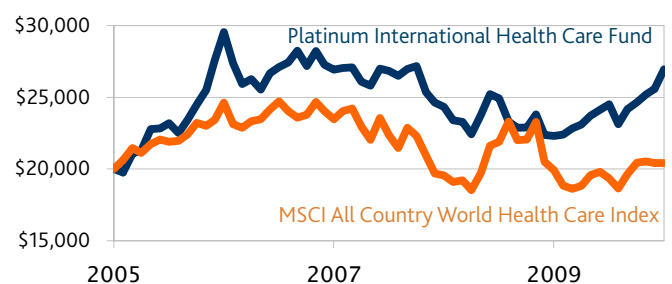
What a quarter and year it has been! The Platinum International Health Care Fund increased by 9.3% for the quarter significantly exceeding the MSCI Health Care Index which was negative 0.1%. For the year the Fund rose 20.8% while the Index gained only 2.4%.

Pharma is becoming the next big biotech industry with Merck's share price gaining over 40% for the year, while Sanofi-Aventis advanced almost 35%. Big biotechs in Europe are also doing well; UCB rose over 40% for the year; Qiagen increased 45%. Both companies embarked on new product cycles.

Currency movements worked against us but several of our small biotech holdings did well regardless. Swedish biotech Medivir rose almost 190% for the year. The company achieved approval of its new herpes drug. Medivir is also doing well with the development of its Hepatitis C drug. Johnson & Johnson (JNJ) is Medivir's HCV partner, prompting speculations that JNJ may buy this virology expert.

## Value of \$20,000 Invested Over Five Years

31 March 2005 to 31 March 2010



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

Consolidation is a major theme in biotech and two of our holdings have been approached this quarter. OSI Pharmaceuticals, a US biotech selling lung cancer drug Tarceva is in acquisition discussions with Japanese pharma Astellas while Millipore, a filter and life science tool company will become part of German pharma/materials company Merck. We wish them well!

We have made minor changes to the portfolio. We exited two small biotechs, trimmed some positions, and added to companies that were not caught up in the consolidation frenzy but are perfectly able to succeed by themselves.

## Commentary

European health care shares offer some of the best opportunities in today's market. Companies have grown up with socialised medicine as well as cultural and regulatory diversity. Adding to the attractiveness is the lack of analyst coverage. On a recent visit to Europe we were able to find some exciting, new investment ideas.

Digitalisation, together with the implementation of connecting software in the dentist office, was one theme well worth investigating.

This IT/imaging theme is similar to our investment case behind Swedish radiation oncology company Elekta. Two years ago in our quarterly (PIHF 31 March 2008) we highlighted how Elekta was early in its focus on the integration of software applications relating to specific devices. For Elekta this work has been a big differentiating factor; it allows easy computer-guided radiation therapy that is tailored to the patient. Elekta has doubled in value since we invested.

Another example is digital mammography; again it exploits the power of digital imaging to make a much more precise diagnosis. The dentist's office is moving in this direction and we are at the very start of it.

Remember your last visit to the dentist and compare it to how it was ten years ago. Not a lot has changed. There is remarkably little computer/digital presence at most dental practices.

This is not to say that there is no innovation. Dental implant systems have been a growth area for some time and the respective companies have done well. However, it is now old hat and the dentist has become more sophisticated. Implants are good for some patients while others would benefit from complex crowns or bridges. Until now dental implant companies focused mostly on dental implants but Swiss-based Straumann is expanding to offer solutions for a broad range of dental work. The picture below highlights where Straumann is offering products and services today.



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Straumann has been thinking about broadening its field for some time but in typical Swiss fashion, the CEO is still very conservative and highlights that "dentists are very cautious and very critical of new advances. A lot of hand holding is required and strong customer relationships are absolutely essential".

Straumann has done exactly what the CEO says, it maintains close links to its customers and has a very strong R&D philosophy, which has been a point of criticism by analysts as profitability has lagged its peers. We would argue the opposite, R&D is essential for a solid business in the long-term.

Straumann has a strong family history and started in the 1930s by making specific alloys for watches. The focus throughout the company's history has been on materials and fine engineering skills. In the 1950s dental implants began to be a focus and today Straumann has over 17% market share.

Straumann's idea is to help the dentist offer tailored solutions for the differing needs of patients using digital imaging combined with software.

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The company's "digital solution" is complex and centres around the digital image of the teeth and the link to the dental lab or Computer-aided-design/Computer-aided-manufacturing process (which makes the crown for example). Basically, the digital imaging will replace the manual impression taking.

Similarly for dental implants, connectivity is essential. The CT scan (as a digital image) which is prepared prior to the implant is used as the starting point for the computer-guided treatment plan, both systems need to talk to each other.

Straumann has put together all the required scanners and CAD/CAM equipment as well as the software. The digital solution has been launched in the EU this year. It will take time to make its way to your dentist but one thing is very clear, the company is moving on from simply providing screw and abutments for dental implants.

We are excited by this theme and are evaluating opportunities. Straumann along with a number of other companies we recently visited are offering exciting prospects for the Fund.

## 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: 1 May 1995

Platinum Unhedged Fund: 31 January 2005

Platinum Asia Fund: 3 March 2003

Platinum European Fund: 1 July 1998

Platinum Japan Fund: 1 July 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 March 2005 to 31 March 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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