PLATINUM INTERNATIONAL HEALTH CARE FUND

Simon Trevett
Portfolio Manager

PERFORMANCE

The market became more cautious, avoiding risk being the prevailing attitude of the last quarter, leaving biotech companies quite vulnerable. In contrast, the management of the big pharmaceutical companies seems to have found some confidence and reconnected with investors. Several positive presentations at industry conferences, along with a number of new drug approvals, suggest that these companies should not be neglected.

The Health Care Fund's performance last quarter also reflects this change of sentiment declining 11% for the quarter. For the year, the Fund achieved a return of 23.4% compared to 10.4% for the MSCI World Health Care Index.

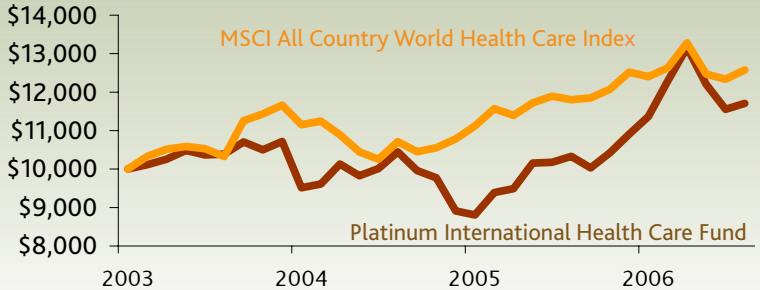
Concerns abound over the changing health care landscape, particularly pricing pressures and emerging competition for the higher priced novel treatments. Although the topic of the price of drugs and devices has been thoroughly debated, and possibly reflected in the performance of the stocks, concern over competitive challenges to lucrative newly developed products is just emerging. It is interesting to watch the diverse and imaginative responses by the large companies. Pfizer highlights a war chest of $17 billion, Sanofi-Aventis focuses on research appointing the former head of R&D as its CEO, Johnson & Johnson sees opportunity in buying Pfizer's consumer business and Novartis expands, through acquisitions, in their generic and vaccine businesses.

DISPOSITION OF ASSETS

REGION	JUN 2006	MAR 2006
NORTH AMERICA	58%	58%
EUROPE	26%	21%
JAPAN	9%	7%
OTHER ASIA (INCL KOREA)	3%	3%
CASH	4%	11%
SHORTS	0%	0%

Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
10 NOVEMBER 2003 TO 30 JUNE 2006



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

Some of the tools and equipment companies look to consolidate, while others continue their focused strategy in their respective specialised markets. The molecular diagnostic field continues to gain interest with "Medical System" companies such as GE and Siemens expanding their offering through recent acquisitions.

On the drug side, competition for the first generation of "targeted therapies" is becoming a reality and is exacerbating concerns over the ability to maintain seemingly outrageously high prices as well as a monopoly in the market. In a recent presentation, Roche defended the price of its cancer drug, Avastin, on the basis that it is a small part of the total overall cost of the health care system in treating cancer. That may be so, however, patients find it unaffordable.

Also in the quarter a number of new drugs showed promise in late stage trials while others received approval in the US. Many companies are working on drugs with similar, albeit new mechanisms, and consequently the main priority is to find a differentiating factor during development. Clinical development skills play an essential role in the process, something the smaller biotech companies quite often lack and investors overlook. Some recent delays at regulators have again highlighted the importance of these particular skills and the long-term benefit of spending that extra money during development. This long-term thinking tends not to be valued by the market whilst the money is being spent.

In diabetes, both Merck and Novartis showed positive results for a new class of drugs and a regulatory decision for both drugs is expected later in the year. Merck, in particular was able to tick off additional achievements on its list with two vaccines gaining approval in the US. Good news in oncology was also presented this quarter, again big pharmaceutical being able to take centre stage. Interestingly, in the EU regulators seem a little faster, approving a new anti-obesity pill and allowing a generic version of a biological drug onto the market (US followed quickly thereafter).

CHANGES TO THE PORTFOLIO

As we discussed in our last report, valuations had become a little high. Paying close attention to the need for cash reserves and a balanced pipeline we decided to part with some smaller investments while we added to some of our big pharmaceutical and tool companies. Areas of interest for us in diagnostics and imaging saw some additions to the portfolio.

We were also sensitive to some of our emerging tools and technologies companies becoming increasingly loved by investors. Although we feel that the technologies are perfectly fine, current valuations anticipate flawless progress without acknowledging that these companies still have many challenges ahead of them as they mature.

COMMENTARY

Prevention, early detection and diseases management are all concepts with the potential to have an impact, not only on health care in general, but also on the ever increasing costs. Vaccines are being developed that may prevent the recurrence of cancer lesions and thus prevent further surgery; new combination drugs or drug-coated devices are being tested that decrease the risk of heart attack and "diagnostics" are seeing a large amount of activity.

Although prevention of diseases would be ideal, the more pragmatic approach is in exploiting new detection methods and using our "molecular" knowledge of a disease to help diagnose as well as tailor and monitor treatment more precisely. This advanced diagnostic approach is currently at an early stage: consequently standards, as well as guidelines, are still lacking; regulatory agencies themselves are in "education mode" and companies are reluctant to show a clear commitment. Some even remain on the sidelines and simply monitor the progress. For us, this dynamic is ideal and allows us to gather information, visit companies and try to gain an understanding of the different components and parts of molecular medicine. There is sample preparation to consider, automation, what technology to use and how best to visualise a molecular event in a patient.

However, a "red thread" is slowly emerging, measurable diagnostic indicators (eg. biomarkers) will play an important role in both the pathology lab and at the imaging facility. In previous quarters we have mentioned this theme as part of drug discovery and drug development. A scientist in a lab is not very different to a physician diagnosing a patient; both are looking for particular proteins or genetic changes that are associated with a particular disease, disease stage or drug response. The aim is to detect and amend the aberrant changes using a drug or technology. Thus a lot of ground work defining the biomarkers has already been accomplished in the drug development labs whilst looking for new drugs. Now we are at a more advanced stage and it is up to the companies with "diagnostic" infrastructure or the ones providing the respective "marker" detection technology to bring it closer to the doctor and patient.

Companies ranging from pharmaceutical to device, imaging and even insurance, all see the potential of using these markers. However, implementing the idea and establishing it as part of the "diagnostic" universe is still challenging. Although encouraging these developments, when it comes to approvals for commercialisation, regulators still require solid validation data showing a better diagnostic value compared to the current standard techniques. Selecting the appropriate technologies requires careful assessment and ethical issues need to be considered. In general there is no easy path and complexity prevails.

Looking at the broader picture shows two parts, one being "in-vitro" and the other "in-vivo"; meaning one is looking at a sample taken from a patient and analysed in a test tube for the presence of markers, while the other visualises changes in the patient using imaging techniques. Each has its own dynamics, for in vitro, detection sample preparation plays an essential role as does "multiplexing" (simultaneous reactions in one reaction tube). For in vivo "imaging", biomarkers assisting CT, MRI and PET scans are at an exploratory stage, while digitisation and combining the different imaging platforms play a more important role.

However, both areas are becoming more specific as the knowledge base continues to expand as do the number of data points being generated by each technology. Just as important will be the integration of all the knowledge and different platforms to ultimately offer the health care provider a comprehensive "diagnostic picture".

Recent acquisitions have centred on the biomarkers, imaging as well as combining different technology platforms. Life Science tool companies, who already assist the bench scientist

in deciphering disease on the molecular level, see a transition from "bench to bedside" as a natural development to their business strategy. These companies will increasingly form alliances with Medical Institutes and hospitals. Many are still specialised and focus on key steps in the process such as one particular technology or sample preparation.

The best example of a Molecular Diagnostic is probably the way an HIV infection is detected and treated. First the viral load is determined in the patient's blood by quantitatively detecting parts of the viral genome, and then certain areas of the genome are sequenced and checked for mutations. At the same time a marker, indicating the state of the immune system, is checked and following all these tests the doctor will decide what cocktail of drugs will be prescribed. Later on, treatment progress is monitored by checking the change in viral load and the development of resistance to the drugs perhaps necessitating a change in the drug cocktail.

In oncology, gene-expression signatures of tumours are being used to stage the disease and assist in choosing treatment options. As part of clinical trials testing cholesterol-lowering drugs, new imaging methods are being used to measure the amount of artery clogging prior to and after having received the drug. The number of examples is increasing quite quickly and companies are expanding their clinical and regulatory development capabilities as they seek to commercialise these developments.

Overall this represents a very scientific approach to diagnostics but a theme we believe holds significant promise with Molecular Diagnostics becoming an important component of health care systems whilst offering investors many opportunities beyond the most visible "testing" companies.

OUTLOOK

The third quarter historically tends to have a “quieter" feel as there is a lull in the scientific and medical conference schedule. However, given the number of new drug approvals (eg. Merck's cancer vaccine Gardasil) and product launches (such as the multiple sclerosis drug Tysabri), even a "quiet" period can prove to be illustrative as we monitor the trends and themes for their longer term implications.

We also have the launch of generic versions of the popular cholesterol-lowering drug Zocor. This will be carefully scrutinised by the market for its impact on competitor drugs, especially Pfizer's Lipitor, as well as the progress of the next generation of cholesterol management drugs.

We would also expect to see increasing licensing and acquisition activity that may add life to the biotech sector. Business development teams are ever more present and it is interesting for us to compare their valuation of pipeline projects and companies with our perceptions of value.

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.

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