Platinum International Health Care Fund

Bianca Elzinger Portfolio Manager

Disposition of Assets

REGION	JUN 2011	MAR 2011
North America	42%	43%
Europe	30%	30%
Japan	2%	3%
Asia	2%	1%
South America	1%	1%
Cash	23%	22%
Shorts	2%	2%

Source: Platinum

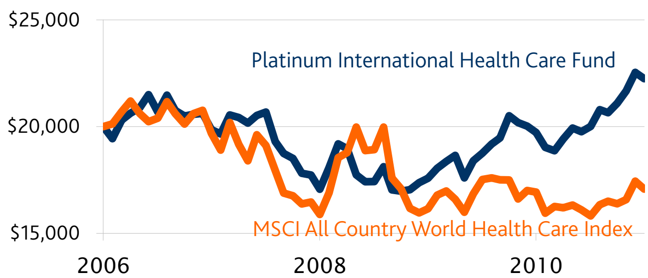
Performance and Changes to the Portfolio

The Platinum International Health Care Fund advanced almost 12.8% for the year while the MSCI Healthcare Index rose 0.8%. For the quarter, the Fund increased by 5.5% while the Index rose 4.2%.

Our biotech holdings (e.g. Ariad, Incyte, Caliper, Infinity, Sartorius) have stepped up to the challenge. Funding worries are now a distant memory as their pipelines have matured rapidly. The troubles of the financial crisis have been an invaluable lesson for these companies as management was forced to make crucial decisions, place projects on hold and focus the company on key assets. Today, each of these companies is in a much stronger position financially and operationally.

Value of $20,000 Invested Over Five Years

30 June 2006 to 30 June 2011



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

For a company to endure difficult times and then get back on track, usually results in a valuable learning experience for the company.

French biotech, Ipsen, recently encountered a setback with Roche returning the rights to a new diabetes drug. Ipsen was hoping to receive significant royalties but now has to regroup as future cashflows simply vanished. Ipsen has lots to focus on; the company is profitable with operations in many countries around the world and they receive royalties on Reloxin, the alternative anti-wrinkle injection to Botox. We have added to Ipsen as we believe the new found focus of the company will be successful in the end.

Qiagen has been disappointing. Despite being well-positioned for personalised medicine, stagnant volumes in its Molecular Diagnostic business have been an issue. Patients continue to delay visiting their doctor and consequently pathology test volumes are uninspiring. These are temporary woes. Nevertheless, for Qiagen it is essential to expand its test portfolio and work closely with drug companies to develop companion diagnostics for new drugs.

Drug/diagnostic combinations are advancing. This quarter Roche filed for approval for its melanoma drug vemurafinib together with the BRAF V600 Mutation Test (developed by Roche Diagnostics). The drug targets specifically the mutated form of the BRAF protein. About 50% of melanoma cases exhibit the BRAF mutation and have a high likelihood of responding.

We believe that drug developers will become closely linked to Molecular Diagnostic companies in the future and as such, we will maintain our exposure to companies like Qiagen.

Commentary

Often we get asked how we develop themes and where do we find new investment opportunities in healthcare?

A business development department at a biotech, pharma or device company is a good analogy. At the outset there is a framework or theme that has been developed by engaging different stakeholders such as scientists, clinicians, patients, payors and governments. Once the theme has been set, the search for targets begin. At this stage financial evaluation is irrelevant. Most companies have significant cash that is looking for a new home. Good opportunities are limited and companies are not hesitant to pay a little more; for them the key objective is to find new products that need help getting to their full potential or new infrastructure that needs new products. The help can either be via funding or ultimately taking full control.

Our objective is no different to that of a business development executive and it has happened on several occasions that big pharma, unfortunately beat us to the deal.

Our starting point in many cases is a disease theme, technology or structural change within the industry or it is simply about a specific geography. These broad ideas have been developed through ongoing dialogue with the industry as well as with executives at companies that we visited.

One recurrent theme during our visits has been an interest in branded healthcare products, including over-the-counter (OTC) drugs. These products are particularly in demand in markets such as Eastern Europe, Russia, Asia and South America. In these countries the prescription drug market is less developed as is the health insurance industry. Out of pocket expenses are higher and consumers focus much more on brands and drugs that they can simply purchase themselves.

Omega Pharmaceuticals, based in Belgium, focuses on branded healthcare products. Founded in 1987 by two pharmacists, Omega has grown rapidly into a respectable OTC company (no. 13 in the global OTC market) with good brands sold across Europe. Acquisitions have played a big role in the expansion and increased the complexity of the business causing a number of problems. Omega has a large product portfolio for its size and often struggled to keep an eye on the performance of every region. The sales/marketing strategy has been changed several times, there was a lack of systems to track changes in the day-to-day business and proper internal communication between headquarters and the regional offices has been lacking. Decentralisation is a good thing as the OTC health markets are very regional, however, in Omega's case, it has been a significant limitation.

We revisited the company this quarter and noted changes. It was refreshing to see that the strategy conveyed by management is now much more consistent and easy to comprehend. There is a strong focus on key brands along with a mix of regional brands; as opposed to several years ago when the focus was the many regional brands that will pull the key brands along. There continues to be a lot of work to do at Omega but to us this company fits into our thinking of a good product offering that has not reached its full potential.

Outlook

Who will pay for all the expensive drugs? Around the world drug prices are under scrutiny and media headlines continue to be negative on the industry. However, we prefer to stick to the facts which tell us that real innovation maintains good pricing power. Just recently, three newly approved drugs, one for Multiple Sclerosis and two for the treatment of HCV infection achieved very good pricing (for the MS drug $48,000 a year; HCV drugs command up to $49,000 per treatment course). These drugs add significant benefit to the patient. As such we continue to focus on quality biotechs that invest in research and development rather than take shortcuts.

However, we also believe that generic drugs are important and we also see biosimilars gaining momentum. Both areas are of interest to us and we will continue to find new investment opportunities.

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$20,000 invested in the relevant Fund over five years from 30 June 2006 to 30 June 2011 relative to their Index (in A$) 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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