Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	JUN 2012	MAR 2012
Europe	36%	34%
North America	30%	35%
Japan	5%	4%
South America	1%	1%
Asia	1%	1%
Australia	1%	1%
Cash	26%	24%
Shorts	4%	3%

Source: Platinum

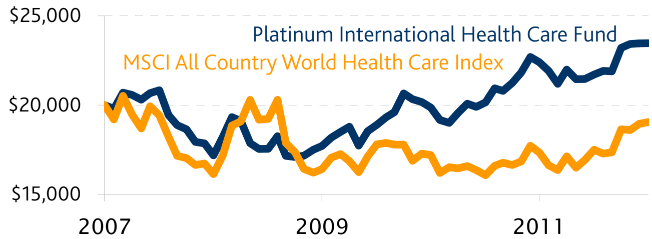
Performance and Changes to the Portfolio

The Platinum International Healthcare Fund advanced 1.1% for the quarter, with the MSCI World Healthcare Index increasing 2.2%. For the year, the Fund was up 4.7%, lagging the Index which advanced 9.8%.

The Fund has been lagging the Index mostly due to the high cash position. In hindsight, we should have added more weight to our core biotech holdings as the sector is benefiting from merger and acquisition fever. However, in the long-term the fever will subside and we would prefer to invest in companies with strong fundamentals.

Value of $20,000 Invested Over Five Years

30 June 2007 to 30 June 2012



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

Almost all of our biotech holdings added significantly to the performance. BioMarin, the US orphan drug biotech is gradually executing on its pipeline, as is swiss biotech Actelion. This quarter, Actelion was a strong performer having reported success with its new drug, Macitentan and is now well-placed to reshape the treatment of pulmonary hypertension. Incyte, our longstanding US biotech holding has transformed into a commercial company with sales and a promising pipeline. ImmunoGen is also getting very close to having a drug approved. The company's first drug-carrying antibody T-DM has seen significant progress in managing Her2 positive breast cancer. Roche has licenced the drug and is positioning T-DM1 as the Herceptin successor. The strategy is looking to pay-off and Roche itself was also successful in gaining approval of another new breast cancer drug this quarter.

Not everything went well this year; Teva has been a disappointment. While the Multiple Sclerosis (MS) drug Copaxone will not see generic branding until 2014, the commercial viability of the follow-on MS drug is unlikely. Essentially, Teva has to continue to look for additional sources of growth. In recent years, the company has done exactly that but as always progress is slow. A new CEO has been recruited who brings the right credentials having been instrumental in the transformation of Bristol Myer Squibb's pipeline. Teva's valuation is cheap and we see value in the European and Japanese generics division, the pipeline, as well as Teva's biosimilar joint venture with Swiss manufacturer Lonza.

This quarter we have been more active than usual, adding five new companies to the portfolio. We added German conglomerate, Bayer. At Bayer, many structural as well as management changes have occurred that should put the company on a better footing. We like the potential of the pipeline, the depth of the consumer business and the stability of the veterinarian business.

We are slowly trimming some of our US winners and reinvesting the proceeds into European biotechs that we have held for the past 12 months (like Actelion and Thrombogenics). We also added to our European pharma and diagnostic holdings.

Commentary

Every November there is someone in our office who decides to follow the 'Movember' movement and for one month this person will look a little bit out of place with their moustache! It is all in the spirit of raising awareness (and funds) for prostate cancer, a disease where early detection is absolutely crucial.

Prostate cancer primarily develops in later stages of life and progresses slowly without many noticeable symptoms. Prostate-specific antigen (PSA) detection is fairly well-known and elevated levels of PSA suggest a more detailed prostate health check is necessary.

Treatment of prostate depends on the stage of the disease and ranges from a 'wait and see' approach, surgery and radiation to pharmacological castration. Once the tumour is 'castration resistant or hormone resistant', heavy chemotherapy has to be administered.

It is this later disease stage, when the tumour circumvents castration and starts to grow and spread again, that has attracted most drug development efforts, as disease progress can be rapid. In reality these 'hormone resistant patients' are not so resistant after all, there are alternative androgen[1] pathways at play that trigger a growth signal and there are also receptors that decide to start sending signals without any ligand.

Zytiga, a Johnson & Johnson (JNJ) drug, is a new treatment[2] that specifically targets the androgen pathway via the inhibition of 17 α-hydroxylase/C17,20 lyase (CYP17A1), an enzyme that is involved in the synthesis of testosterones. Testosterone levels are dramatically reduced when taking Zytiga and results have shown that patients with late stage disease live longer. JNJ gained access to this drug via the acquisition of Cougar Pharmaceuticals and is hoping to treat earlier stage patients.

Japanese Pharma company Astellas is also aiming at prostate cancer. The company has good expertise in urology and in 2009 licenced another new anti-androgen MDV3100 drug from US biotech, Medivation. This drug does not target the synthesis of androgens, it targets the androgen receptor which transmits growth signals to the tumour. Results for MDV3100 are looking good and approval is anticipated next year. Astellas will share commercialisation in the US with Medivation, while outside the US, Astellas will work alone and pay royalties to Medivation.

1 Androgen: male hormones such as testosterone.

2 Approved June 2012 in Australia; EU approval in September 2011; US approval in April 2011 .

Both Zytiga and MDV3100 have great potential for prostate cancer. For JNJ it is a significant addition to their portfolio, while for Astellas it is a much more significant product as it allows the company to expand its ex-Japan oncology franchise.

We recently added Astellas to the portfolio after having monitored the company for some years. Astellas is the second biggest pharma company in Japan and stands out as it has been quite successful with its acquisitions and licencing deals, while at the same time the balance sheet is in pristine condition. Furthermore, the pipeline is progressing well and the patent expiration of Prograf, one of their key drugs, has been managed well.

Oncology is not new to Astellas, about two years ago the acquisition of OSI Pharma (we previously owned OSI) provided Astellas with a great oncology foundation. Valuation of Astellas is reasonable at an enterprise value of $16.2 billion, sales of $12.2 billion and about 15x earnings (~11x excluding cash, we also get a 4% dividend). MDV3100 will be a nice addition to Astellas who can leverage its urology franchise. For comparison, Medivation is valued at $3.5 billion with MDV3100 the only commercial product in the near future. To us, Astellas offers better value.

Outlook

Macroeconomical woes are not able to dent the excitement of new product cycles in the healthcare sector. Now that it is clear that the US healthcare reform is here to stay, European austerity measures are no longer a surprise and patent cliffs do not mean companies will expire; drug developers, pharma and biotech included, are enjoying a renaissance. We see this trend continuing.

In medtech, however, we remain very selective and are still looking for a renaissance among the big companies.

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$20,000 invested in the relevant Fund over five years from 30 June 2007 to 30 June 2012 relative to their Index (in A$) 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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