Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	JUN 2014	MAR 2014
Europe	46%	45%
North America	25%	23%
Japan	6%	6%
South America	1%	1%
Australia	1%	1%
Cash	21%	24%
Shorts	0%	2%

Source: Platinum. Refer to Note 3, page 4.

Performance and Changes to the Portfolio

(compound pa, to 30 June 2014)

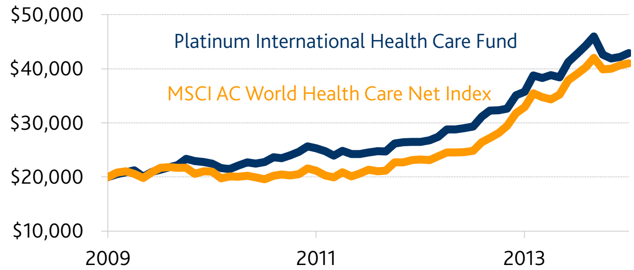
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund	1%	20%	19%	16%	8%
MSCI AC World HC Index	3%	25%	25%	15%	7%

Source: Platinum and MSCI. Refer to Note 1, page 4.

Corporate activity in healthcare continues unabated. Novartis sold its vaccine business and set-up a consumer joint venture with GSK, before offloading its animal business to Eli Lilly. This deal also allowed Novartis to add GSK's oncology products to its own portfolio. Novartis can now focus on its strengths, namely drug development, eye disease and biosimilars.

Value of $20,000 Invested Over Five Years

30 June 2009 to 30 June 2014



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

During the quarter, Pfizer was unsuccessful in acquiring AstraZeneca (up 12% for the quarter), while AbbVie failed to convince Shire (up 55% for the quarter) to enter its fold. Europe is truly back in focus and we believe these companies are correct in defending their independence, particularly as they have worked so hard to get their business fundamentals right.

Our other European holdings also had positive news; Actelion (up 34% during the quarter) reported good mortality results for Selexipag, an oral prostacyclin receptor agonist tested for the treatment of pulmonary arterial hypertension (PAH). Actelion, a company that was heavily criticised for its research and development (R&D) spend not long ago, is now thriving. Recent data on Selexipag confirms Actelion will be able to defend its lead position in PAH.

Rare disease company, Swedish Orphan Biovitrum (up 25% during the quarter), received approval for its longer-acting haemophilia A drug and together with Biogen Idec, is now ready to shake-up the haemophilia market.

During the quarter we added to our rare disease holdings as well as to other biotech holdings. At the same time, we closed our biotech index short that finally made us some money.

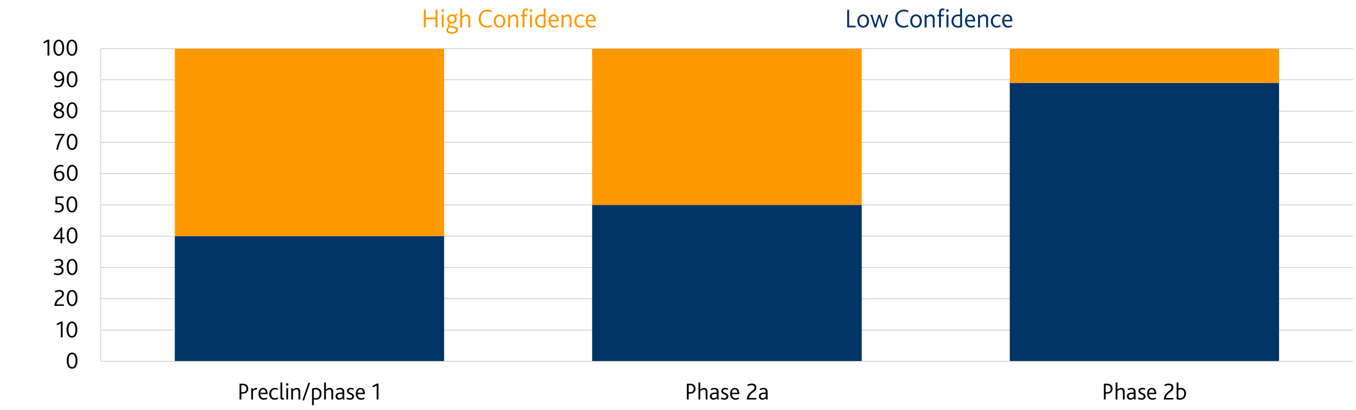
Commentary

AstraZeneca

The journey of AstraZeneca is interesting. For several years it has had the worst of times; continuous pipeline failure, restructure after restructure, looming patent expirations and a leadership team that was too marketing orientated and reverted to short-term financial fixes. The inevitable happened; a new Chairman was recruited and the entire senior management team replaced. The new team was able to turn the company around and steer it on a more effective course; building up a solid drug research portfolio and boosting innovation. AstraZeneca indeed had some good building blocks: Medimmune (the biologics division of the company), diabetes (AstraZeneca now has full control over its diabetes franchise), a good Japanese business, solid respiratory franchise and solid cash (once it stopped its buybacks). However, it also had a big worry; a research and development engine that had a spectacular failure rate. The engine was defunct and its scientific curiosity almost extinguished. A detailed analysis of their failures revealed some remarkable insights and confirmed what we thought went wrong.

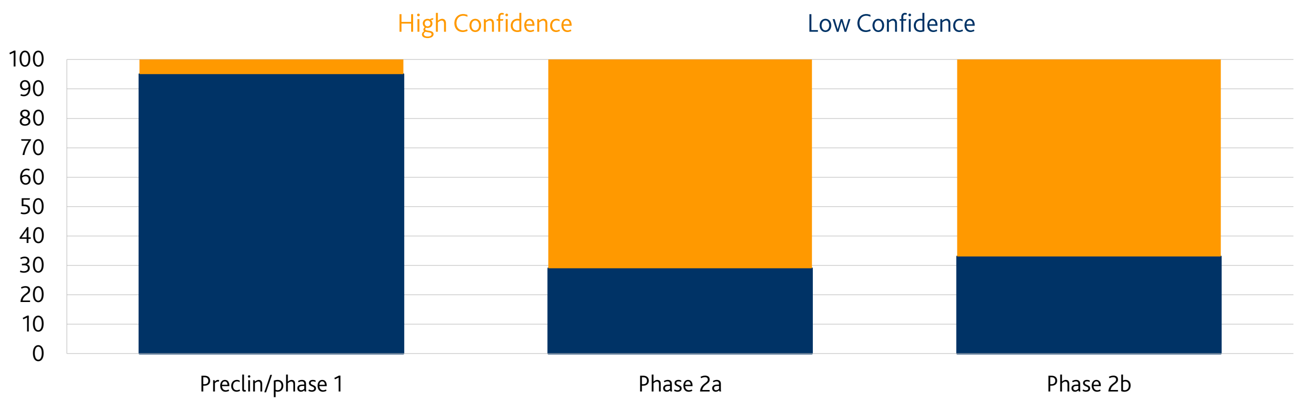
The never-ending string of pipeline failures stifled decision-making, fostering a culture of minimal risk taking. Projects either got stuck or were moved ahead for the wrong reasons. Focus was on ‘volume’ i.e. moving projects through to the next stage of development. This distorted decision-making process hampered the pursuit of the best therapeutic approach to diseases. As an example, at one stage about half of AstraZeneca’s portfolio was made up of backups, some not

Right Target in Right Patient (%, 2005-2010)



Source: Nature Reviews Drug Discovery Volume 13, pages 419-431 (2014)

Perceived Commercial Value (%, 2005-2010)



Source: Nature Reviews Drug Discovery Volume 13, pages 419-431 (2014)

even structurally diverse enough to actually mitigate development risk. All that mattered (which provided management comfort) was that the drugs progressed through the development cycle and consequently fulfilled the volume-based goals.

Quality did not rate high on their agenda and at times pre-clinical safety signals were ignored. This carelessness would later cause the failure of projects in mid-stage clinical development. Commercial attractiveness was often used as justification for moving ahead, despite a lack of detailed target knowledge, understanding of drug/target interaction dynamics or a solid understanding of the underlying disease pathology. Even more concerning was the fact that often the confidence in the disease target declined as the drug moved through development (see graph page 3). Yet as the project progressed, commercial confidence miraculously increased (see graph above). About three quarters of projects from 2005-2010 failed due to lack of efficacy.

It was clear that AstraZeneca had to make drastic changes if it was to improve its output. Indeed it did exactly that. Through this review it established the '5R' framework. On top of that, the new CEO Pascal Soriot, supplied the urgency and vigour needed to make the changes. Today the mantra is the right target, tissue, safety, patient and commercial potential. To successfully implement the '5Rs', they brought 'science' back into sharp focus and abolished the preoccupation with project volumes. Sharpening the company's strategic focus fosters a 'truth seeking' mentality that encourages its scientists to go out and engage with the leaders in their field and to ask, as they put it, the 'killer questions'.

As part of its engine upgrade, the pipeline was overhauled and only projects that complied with the '5R' mantra remained active. AstraZeneca has put science at the heart of target decisions. It has established: significant biomarker and personalised medicine capabilities (the right patient: 85% of projects now include a personalised healthcare strategy), better pharmacological modelling capabilities (right tissue, right drug/target engagement) and dialogue between the commercial groups and the scientific teams (e.g. house them close to each other). Importantly, people have been hired who thoroughly understand the payer and reimbursement environment (right commercial opportunity).

These principles are by no means fool proof but they have designed a framework allowing management to assess where the pressure points exist in a project. We know from our work as stock pickers that it is often crucial to know what we do not know and that success is aligned with quality work rather than quantity.

AstraZeneca has come a long way in a short time. There will be setbacks but the right pillars are in place and we are already seeing (in presentations and meetings) that this is a very different company from three years ago.

Outlook

Our market outlook has not changed much; balance sheets are strong and will get stronger, thus acquisitions will continue. Valuations continue to be at the higher end and we remain selective. The recent wave of new listings has given us a new crop of ideas, while we are also looking to get more involved outside the US and Europe.

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$20,000 invested in the relevant Fund over five years from 30 June 2009 to 30 June 2014 relative to their Index (in A$) 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.

3. Invested position represents the exposure of physical holdings and long stock derivatives.

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