PLATINUM INTERNATIONAL HEALTH CARE FUND

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PERFORMANCE

Over the last quarter the Platinum International Health Care Fund increased 3.1% compared to 6% for the MSCI Health Care Index.

While big pharmaceutical has gained attention this quarter, biotech companies have been avoided by investors, unless new drug approvals or growth of the marketed portfolio was very clear.

At Pfizer, the senior management team saw changes with the CEO as well as the Head of Human Health departing. The new management team will have more R&D expertise while the General Counsel was promoted to CEO. Investors reacted positively even though these adjustments to management still have to prove themselves. It is also important to note that the company can now fully concentrate on its business as internal succession speculations have now been resolved.

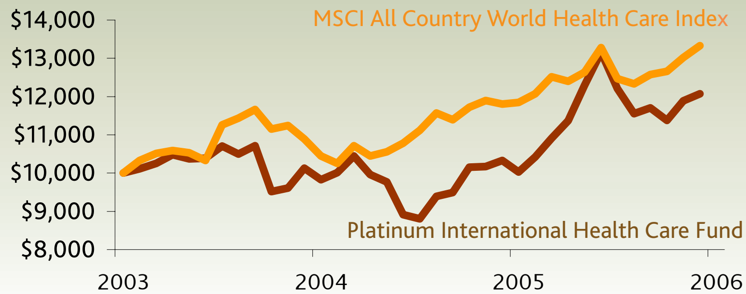
In Germany, within a single week the pharmaceutical landscape saw a number of changes with family-run companies taking centre stage. Two companies changed hands and are now headquartered outside the country, while another added Swiss biotechnology capabilities, paying the founding family a high price to exit. The newly combined companies have a lot of work ahead of them and in some cases the rationale is not as clear with some families exiting or reducing their pharmaceutical focus while others were happy to add to theirs. It will be interesting to see how these stories unfold.

DISPOSITION OF ASSETS

REGION	SEP 2006	JUN 2006
NORTH AMERICA	47%	58%
EUROPE	24%	26%
JAPAN	6%	9%
OTHER ASIA (INCL KOREA)	3%	3%
CASH	20%	4%
SHORTS	1%	0%

Source: Platinum

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



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

While corporate changes at bigger companies gained attention, a number of our smaller biotech holdings also attracted interest; mostly due to positive drug results, promising late stage assets and the progression of pipeline products into late stage testing. The current regulatory environment is asking for very solid development programs; a dynamic we have been careful to include when analysing companies.

The cardiovascular device sector has also been discussed widely this quarter as some investors realise that the perception of "strong growth guaranteed" may no longer be true because of safety and competitive issues. Development of new technology is only slowly emerging with a number of small companies showing some interesting signs. As is the case with drug developers, licensing and alliances may also become part of the strategy at device companies.

CHANGES TO THE PORTFOLIO

Being vigilant and remaining true to the concept of out-of-favour opportunities, we reassessed the big pharmaceutical companies and added to several positions. We feel that market concerns are too focused on specific individual drugs, thus failing to recognise the adjustments that have been made in recent years. R&D engines are running hot, licensing teams are as active as they have ever been and the achievements of marketing teams within the existing portfolios highlights the resilience of these companies.

Acquisitions are part of the biotech sector and one of our small Canadian biotechs is about to be bought by a US-based biotech. The main interest is the company's "stem cell mobiliser" currently in late-stage testing. The drug looks promising for patients with blood cancer who require transplantations of these particular cells.

As part of a manufacturing theme, we added to a company that has expertise and technology to produce so-called "biological drugs", a class of drugs that we feel will become integral to future treatment options.

COMMENTARY

Despite continuous criticism of lack of innovation among drug developers, a number of drugs with new mechanisms of action are approaching approval or have recently become available (eg. the HPV vaccine). In addition, there is a growing preference to balance the "old-style chemical" (small molecule) pipeline with "biologics". This more modern class of drugs is at the centre of today's biotechnology industry and is now being embraced by big pharmaceutical companies who are even trying to change their image to be "seen as biotechs". This development does offer a number of opportunities as we explain below.

Biologics are proteins and can be as simple as insulin or as complex as an antibody. These molecules mimic a "natural" mechanism and have the advantage of being more specific to a target. However, a major challenge is the manufacturing process of these rather complex molecules. Typically, biologics are made by exploiting the "production machinery" of living organisms such as bacteria, yeast or human cells. The respective organism, preferably derived from humans, is genetically changed to allow the synthesis of the desired product. In recent years a lot of time has been spent to develop effective production machinery to deliver respectable yields, as well as a fully-human product.

The process starts with finding the solutions and supplements in which the organism can grow optimally, then a purification and filtration stage is required to make sure enough product will be recovered and all impurities and potential pathogens are removed. Although these production systems have been used for some time in the lab, scaling the process for commercial purposes has been a learning process requiring a close relationship with suppliers for each part along the chain.

Most important is to monitor the "health" and output of the living organism making sure the end-product complies with safety standards as well as offering the desired characteristics.

Compared to the manufacturing of small molecules where a machine is the producer; biologic manufacturing is more temperamental, any change to the process can have an impact on the end-product, making regulators very cautious and forcing them to ask for new "human validation tests".

Despite this complexity, companies are attracted to biologics for various reasons, one being the strong patent positions as the manufacturing process, along with the living organism itself, are part of the patent application. Overall the process of making them has advanced significantly with standards and process analysis tools becoming readily available. It seems biomanufacturing has matured and when looking at the biologics development pipeline it becomes apparent that next generation biologics have begun to emerge, offering superior product characteristics (eg. better delivery, higher specificity, fewer side effects).

Taking these refinements into account, the development and manufacturing chain for biologics is an interesting theme. The industry seems to have moved from simply expanding capacity, to carefully assessing each part of the production chain. Outsourcing, sharing with other companies, and contract manufacturing services, have become serious options as their activities have become more sophisticated.

In summary, predictions in 2000 that worldwide demand for biologics would exceed capacity at least twofold by 2005 have not been realised. The reality is that the process itself has advanced and companies are assessing each part of the manufacturing chain rather than rushing to build new facilities. Costs are being looked at carefully and suppliers are offering superior products as well as readily disposable consumables.

The biologics theme requires a measure of vision and patience with process.

OUTLOOK

In coming months the focus will shift to conferences and the financial performance of companies, in particular big pharmaceutical. The impact of the first quarter of generic Zocor will be watched carefully and speculation about the future of Pfizer's Lipitor will be plentiful.

Balancing good and bad cholesterol will also be a leading topic of discussion at an annual gathering of cardiologists later in the year. As we highlighted previously, lowering cholesterol is one way to attack atherosclerotic build-up, however, the better approach appears to be to also increase good cholesterol. Again big pharmaceutical will have some stories to tell.

As has happened in the past the US regulatory agency may also try and boost its approval rates this year. Several products are awaiting decisions, some with new mechanisms for action by companies who hope to add new disease franchises.

We are also interested in the growth rate of a number of device companies and rumours about consolidation. The latter activity, along with licensing, has emerged as a central part to today's health care industry and we suspect will continue to do so with price tags seemingly rising.

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), 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.