PLATINUM INTERNATIONAL HEALTH CARE FUND

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PERFORMANCE AND CHANGES TO THE PORTFOLIO

PERFORMANCE (compound pa, to 30 September 2008)

	QUARTER	1 YR	2 YRS	3 YRS	SINCE INCEPTION
PLATINUM INT'L HEALTH CARE FUND	11%	-7%	-4%	2%	2%
MSCI HEALTH CARE INDEX	18%	-2%	-6%	0%	3%

Source: Platinum and MSCI. Refer to Note 1, page 36.

The Platinum International Health Care Fund increased over 11% in the quarter compared to the MSCI Health Care Index returning over 18%. For the year the Fund lost just over 7% versus a loss of 2% for the Index.

Steady performers this quarter were our big pharma holdings Johnson and Johnson along with Novartis. Both companies have made steady pipeline improvements, while their sales and marketing budgets are declining.

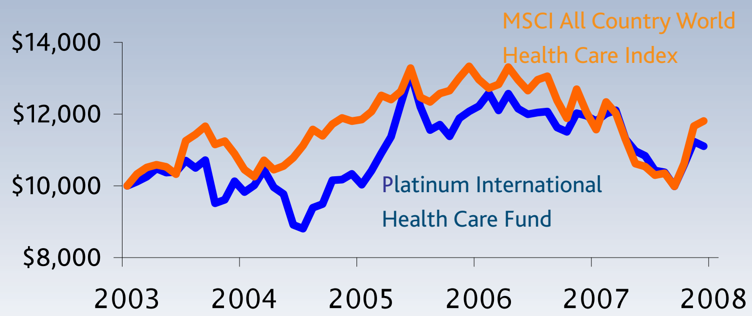
The big disappointments were our small biotech holdings which were big contributors to the divergent performance of the Fund versus the Index. It is important to remember that the Index has almost no exposure to small biotechs and is heavily concentrated in well-known large health care companies (see illustration overleaf). On the contrary, we believe small biotechs are vital in the health care sector, particularly to big pharma. The sentiment towards the biotech sector can turn very rapidly and pharma will pay significant premiums as Novartis most recently illustrated when acquiring Swiss biotech Speedel (90%+ premium).

DISPOSITION OF ASSETS

REGION	SEP 2008	JUN 2008
NORTH AMERICA	47%	44%
EUROPE	30%	30%
JAPAN	3%	3%
ASIA	0%	2%
SOUTH AMERICA	0%	1%
CASH	20%	20%
SHORTS	2%	2%

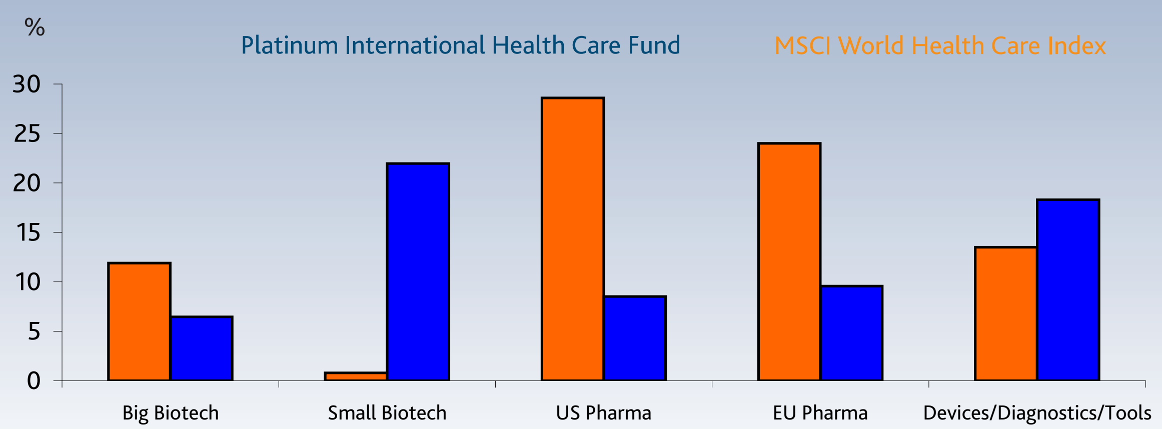
Source: Platinum

VALUE OF $10,000 INVESTED SINCE INCEPTION
10 NOVEMBER 2003 TO 30 SEPTEMBER 2008



Source: Platinum and MSCI. Refer to Note 2, page 36.

WEIGHTINGS IN THE PLATINUM INT'L HEALTH CARE FUND AND MSCI WORLD HEALTH CARE INDEX



Source:: Platinum and MSCI

Small biotechs are a long-term investment. In the current environment, even if they don't perform as "stocks" their underlying businesses will rise commensurate with the efficacy of their drug development work. There is also a remarkable change occurring in the biotech sector. It is comparable to a "changing of the guard" signalling the next chapter in the industry. This is illustrated in well-established big biotechs, such as Genentech and Imclone being acquired by big pharma. As mentioned previously, this consolidation will continue and will likely accelerate given the recent decline of valuations.

COMMENTARY AND OUTLOOK

On a recent trip to Europe it was very clear that companies in which we are invested are much happier, they like the challenges that are occurring and have motivated staff working for them. This is the opposite reaction to the disillusioned investor who is blaming the strict regulator for every set-back. A large time horizon disconnection is the key difference between the two groups. Investors have trouble looking beyond the next earnings announcement and are obsessed with the latest "growth prescription". They repeatedly ask about "the economy's impact on the business". Management, in contrast, is seriously bored with such discussions. Many CEOs now refuse to meet with investors or respond rather angrily to such concerns. They vehemently point out that their job includes managing a business in good and bad times as well as making sure there are *new products* and *new markets* to be developed over years, not months to come. This will most definitely include using their cash on external or internal product opportunities and may also mean that share buybacks will not occur as frequently as investors are accustomed. For us, this is sensible as we prefer the potentiality from a quality product which will last for many years to come.

Finance directors are similarly bored by short-term focus and keep directing analysts to consider where cash comes from in a business and how it has been, and will be, invested. Patent expirations are well defined and there is no question that expirations will negatively influence profits, but what is often underestimated is the stability of the overall business, particularly the role of old, so-called "tail products" whose production costs are long covered. Cash flow is a priority within companies and it is also the main selection criteria when acquiring a new business. Biologics and vaccines are well placed in this respect, because despite competition, these are stable cash flow machines. There is no doubt that management will pay a good price for such assets.

At last, big pharma understands the urgency and is looking externally. Business development teams are rapidly expanding and, what is more important, CEOs are giving clearer guidance to their teams and are also spending more time on the road visiting their far flung subsidiaries. This is a significant change and has resulted in decisions being made within weeks rather then months.

Managing clinical trials is another area that is being changed and is probably the first real sign of "an increase in R&D productivity", until now a very widely used management catch phrase. Basically companies made the remarkable observation that programs can be scheduled in parallel (while one trial is running, start organising the next one, reducing the time to three months from 6-9 months). This really highlights how complacent big pharma has been. One executive very honestly admitted "we were asleep 10 years ago and got it wrong. We were far too complacent, only someone new was able to force through a cultural change".

Our sense is that there is a strong shift in big pharma towards becoming the new wave of big biotech. Consequently, as opposed to the general opinion of using big biotech and big medtech companies as a hiding place in uncertain times, big pharma has become interesting because of its own merits.

Another interesting observation from the EU was the very active investment strategy of companies that have a majority shareholder. These companies develop a strategy, research it thoroughly, keep focused and in the end are not afraid to use their money. At the right price, these companies are very interesting opportunities.

In summary, we will continue to make sure we understand the cash generating ability of our companies and evaluate their approach in selecting new opportunities. At the same time we will continue to take advantage of the recent panic in small biotechs and from time to time we will add medtech and diagnostic companies which have quality products and a very good understanding of their customers.