Platinum International Health Care Fund

Bianca Ogden (nee Elzinger) Portfolio Manager

Performance and Changes to the Portfolio

The Platinum International Health Care Fund advanced almost 12.4% for the year, while the MSCI Health Care Index rose just over 4%. For the quarter, the Fund declined by 1.9% while the Index declined 1.3%.

Biotechs were for sale this quarter as global economic issues dominated. We used this opportunity and selectively added to some of our positions such as Biomarin and Qiagen. At the same time, we added to our short positions.

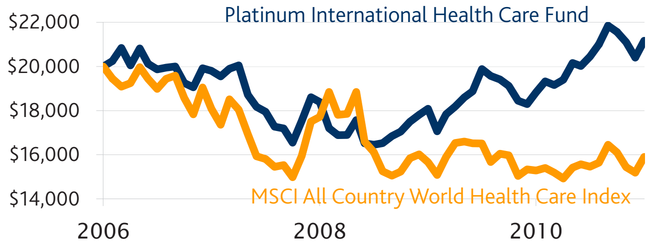
Disposition of Assets

REGION	SEP 2011	JUN 2011
North America	40%	42%
Europe	30%	30%
Japan	4%	2%
Asia	1%	2%
South America	1%	1%
Cash	24%	23%
Shorts	3%	2%

Source: Platinum

Value of $20,000 Invested Over Five Years

30 September 2006 to 30 September 2011



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

It was not all doom and gloom this quarter. Roche is advancing nicely, expanding its cancer franchise. The company received rapid approval of its anti-melanoma drug. The agency took only three months to review the data; usually six months is seen as fast. This new drug is a very valuable addition to Roche's repertoire of anti-cancer agents and we believe underestimated by analysts. In breast cancer, Roche has also shown that it indeed may have a very valid Herceptin replacement antibody. Trastuzumab emtansine (Herceptin linked to a chemical) appears to be powerful in killing cancer cells and lacking a number of side effects.

Pharmasset also continues to do well with its anti-Hepatitis C Virus (HCV) drugs; the company is moving closer to showing that Interferon treatment for HCV may soon be a thing of the past. We continue to like the company but have been trimming our position due to a steep rise in valuation.

Finally, Cepheid and Caliper (tool/diagnostic companies), held up strongly. Both companies are expanding their sales at a rapid pace with profits also improving gradually. Caliper has been doing so well, that its competitor, PerkinElmer will now acquire the company at a decent price (40% premium on the day).

For Teva, things are tough right now. The company is as cheap as it has ever been, however, the situation Teva is in is also as different as it has ever been. New generic launches in the US have been limited and its Multiple Sclerosis drug will encounter significant competition next year. In addition, its follow-on MS drug has shown mixed results and may take longer to develop. Teva is, however, not a basket case and we believe that the company has a solid respiratory business, is expanding in Japan (low generic drug utilisation that is rapidly changing) and is increasing its health consumer business via a joint venture with Procter and Gamble. At seven times earnings, expectations are low.

Commentary

Biotechs and small device companies continue to set trends in healthcare, while the big companies watch on and ultimately pay up for new innovations. This is unlikely to change particularly as pharma has no problem at all accessing new financing.

Often these trendsetters grow into sizable companies ($2-10 billion in market capitalisation) with significant commercial infrastructures. It is these type of companies that are very interesting investments at the right price.

Biomarin, a holding in the Fund, is such a company. Biomarin is valued at $3.5 billion, employs about 800 people and sells four products for rare diseases in about 40 countries.

Rare diseases (there are about 5,500+ diseases; with 250 million affected globally) have been an area that big pharma had problems in appreciating the potential; too few patients (one in 1,000-200,000 patients affected) to justify high development costs.

Such ignorance is not new; pharma dismissed antibodies as highly valuable drugs many years ago. Today pharma cannot reiterate fast enough how many antibody entities they have in their pipeline!

"Rare diseases" is looking to follow a similar path with GSK and Pfizer having established separate units to develop drugs for rare diseases, while Sanofi made a bolder statement and acquired Genzyme, the pioneer in this field. Long gone are the times of the blockbuster-only business models; however, these new areas require a different thinking and selling approach.

Biomarin was founded in the late nineties and has since successfully developed three enzyme replacement therapies[1] with the majority being protein drugs.

To be successful in rare diseases requires strong knowledge of protein chemistry along with outstanding biomanufacturing expertise. The other very important aspect is the sales, marketing and distribution network. These types of drugs are not mass market drugs; an army of sales reps and a myriad of advertisements will not achieve much. These drugs are for a select few patients that first of all, have to be identified and secondly have to be managed and supported during their therapy e.g. guiding them through the reimbursement maze.

1 Genetic diseases, whereby the patient is unable to make a particular enzyme. As a consequence certain proteins cannot be broken down and accumulate in organs.

It is essential to work with support groups, patient advocacy groups, foundations and key investigators in the field to gain access to larger groups of patients. Biomarin has established and fostered those relationships over many years and is now in a position to really leverage this network once its pipeline materialises. Newcomers will need some time to develop such an infrastructure.

Biomarin is in a very good position as this type of marketing approach provides a natural barrier for competitors offering longevity; something we are sure pharma is starting to recognise.

Biomarin has been criticised for its continued research and development (R&D) spending at the expense of profits. However, we argue that it was a wise decision to give up short-term gains for a much longer tail of significant cash flow. The pipeline is maturing, while the base business continues to grow nicely. At 6-7 times sales it is not a bargain, but it is a growing company that possesses rare assets.

Outlook

We continue to maintain a good mixture of different health care companies in the Fund. There is no doubt that pricing pressure will be felt across the board but we are making sure that our holdings do have an innovative edge and that valuations reflect today's challenges within this industry.

We continue to be very selective with big medical device companies despite historically cheap valuations. We believe that payor and regulatory pressure will increase. There is evermore demand for outcome-based data and comparative effectiveness studies adding pressure to R&D budgets. Medtech companies have been slow to adapt to the changing landscape and we do see more difficulties ahead. In many ways, medtech is were pharma was five years ago.

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