Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	SEP 2012	JUN 2012
Europe	37%	36%
North America	27%	30%
Japan	5%	5%
South America	1%	1%
Asia	1%	1%
Australia	1%	1%
Cash	28%	26%
Shorts	4%	4%

Source: Platinum

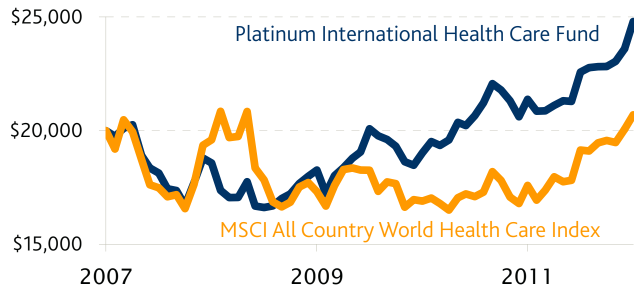
Performance and Changes to the Portfolio

The Platinum International Healthcare Fund advanced 8.7% for the quarter, with the MSCI Healthcare Index increasing 5.8%. For the year, the Fund was up 16%, slightly lagging the Index which advanced 17.7%.

Not long ago large biotech companies were seen as the spitting image of pharma, with maturing product portfolios, patent expirations looming and pipelines that have nothing to show for. Two years on, the world is a different place; biotechs are leading the sector, pipelines are emerging at rapid speed, new drugs are being approved and licencing deals continue to be signed. The fact is, this sector will continue to innovate and patent expirations should not deter one from an investment case if the price is right.

Value of $20,000 Invested Over Five Years

30 September 2007 to 30 September 2012



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

Gilead has been one of those investments and has been a strong contributor to the performance of the Fund (up over 30% for the quarter and over 70% for the year). Gilead's HIV franchise was maturing but the company remained focused on developing new combination drugs for the treatment of HIV, while at the same time developing (and acquiring) its Hepatitis C pipeline. This quarter, Gilead gained approval of its two new anti-HIV combination drugs and with that, the company will continue to dominate the treatment of HIV globally. With the Hepatits C virus (HCV), Gilead is rapidly progressing towards approval and clinicians see Gilead's assets as leading the field, meaning the drugs could achieve several billion dollars in sales. If that is not enough, Gilead is also busy establishing an oncology franchise that in several years could add another billion dollars to Gilead's current sales of ~$9.3 billion.

ThromboGenics (see the March quarterly report) and Ariad are also doing well and getting ready for upcoming product launches. ThromboGenics back-of-the-eye drug has seen positive endorsement from an advisory panel in the US, while Ariad's blood cancer drug has now been filed in the US.

We continue to be prudent and to avoid getting caught up in the promise of new drugs. During the quarter, we have been adding to several of our non-US holdings such as Novartis, Astellas and Actelion. These companies all have new product cycles ahead of them. At the same time, we have taken some profit on Gilead but maintain a position as we feel that the oncology pipeline is not at all being considered by investors. We also trimmed our holding in rare disease company Biomarin as 9x sales already anticipates significant pipeline success.

Commentary

Re-visiting an old investment idea is never straightforward. All you can think of are the flaws of the business and how well we did to remain on the sidelines. However, this is often a mistake as there will be a turning point.

Novartis, the Swiss pharma company headquartered at the opposite end of Basel to Roche, is such an investment. The Fund has had a small position in Novartis for some time but the case never fully worked out and we kept being disappointed. This year, however, with valuation being more compelling, we forced ourselves to take a fresh look.

Novartis has a remarkable history (dating back to the middle of the 18th century) when Johann Rudolf Geigy-Gemuseus started trading 'chemicals, dyes and drugs of all kinds' in Basel. Centuries, divestments, acquisitions and mergers later, Novartis still remains headquartered in Basel and trades 'drugs of all kinds', albeit now globally.

Throughout its journey, the company faced tough times that demanded changes[1] but more often than not, the company continued to grow.

The most recent transformation of Novartis has been long and started with the merger of Ciba-Geigy and Sandoz in 1996. Sitting across from each other on the river Rhein in Basel, Ciba-Geigy and Sandoz had complementing product portfolios and were no strangers to each other. However, their geographic reach was limited, their research and development (R&D) sites were mainly in Basel and the chemical heritage was still very dominant. Following the merger, under the leadership of Dan Vasella (Sandoz executive with a medical/marketing background), Novartis embarked on a decade long transformation increasing sales from $19 billion to over $56 billion today (see table over).

By 2010, many new pieces and new buildings[2] had been added, while others have been divested and Dan Vasella handed over the CEO reign to Joe Jimenez, a consumer executive who has to make the puzzle work (Mr Vasella still remains Chairman).

1 Eg. 1970: merger of Ciba (Chemische Industie Basel) with Geigy to form Ciba-Geigy.

2 Dan Vasella with the help of renowned architects has transformed an old chemical site into a campus with 10-15 R&D buildings.

Novartis

YEAR	ASSET
1996	Merger of Ciba-Geigy and Sandoz
2000	Formations of Syngenta: agricultural assets of Novartis and Zeneca combined
2001	Acquisition of stake in Roche for $2.8bn and start of Basel Campus Project
2004	Opening of Boston Campus
2005	Acquisition of Hexal and Eon Labs (generic drugs) for $8.3bn
2006	Acquisition of Chiron (US biotech: vaccines/diagnostics) for $5.1bn
2007	Divestment of Medical Nutrition business and Gerber Baby Food for -$8bn
2008	Acquires 25% of Alcon (eye disease business) for $10.4bn
2009	Acquisition of EBEWE (generic drugs) for $1.2bn
2010	Completes acquisition of Alcon for $41.2bn

Source: Novartis

This multi-year transformation was not cheap (+$61 billion spent) and while in 2010 the pieces were in place, integration was in no way complete. Additionally, Novartis still had to deal with unexpected generic competition and unsuccessful drug applications in the US.

Today, several years on, Novartis has forged ahead. The heavy lifting has been done, the new campus is now functional in Basel as well as in Boston (with trees rather than cranes). Emerging markets contribute 24% of sales and Novartis is no longer fully dependent on pharma (57% pharma, 15% generics, 2% vaccines/diagnostic/animal health, 19% eye care, 7% consumer). This is a good start in today's pharma world and implies that Novartis shareholders should be the beneficiaries of the cashflow.

Novartis is not without problems. The past decade has been driven by the success of the Diovan/Valsartan[3] cardiovascular franchise and the leukemia drug Glivec. These two drugs account for 20% of Novartis total sales but have come to the end of their life cycle. Diovan's US patent expired in September, while Glivec has time left until 2015. To us, this is a temporary roadblock as diversification, particularly the contribution from the eye disease division Alcon and new products, will buffer the blow. For growth to return, however, the pipeline has to deliver and we believe it will.

One of Novartis' weaknesses has been its spending habit. Deals are usually on the expensive side and budgets are always a bit higher compared to its peers, while the pipeline tends to be a little cluttered. But even these habits are being addressed and we should see further reductions to its cost base. Some of the savings will be used to expand in emerging markets which we are happy with.

In summary, Novartis has gone through a lengthy transformation that significantly changed the company. We think it is unlikely that the next five years will be as dramatic and as such, should see steady growth and improving returns.

Outlook

New upcoming drug launches together with medical conferences will keep the healthcare sector in focus. The US election will be watched carefully and many investors will try and second guess the outcome. We will remain focused on finding good companies that regardless of who wins, are well-positioned.

[3] Valsartan (Diovan) franchise: so-called angiotensin receptor antagonist. Used to reduce blood pressure either alone or in combination with other drugs.

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