Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	SEP 2013	JUN 2013
Europe	45%	45%
North America	25%	27%
Japan	5%	3%
Australia	3%	1%
South America	2%	1%
Cash	20%	23%
Shorts	2%	2%

Source: Platinum

Performance and Changes to the Portfolio

(compound pa, to 30 September 2013)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Int'l HC Fund	9%	35%	21%	12%	7%
MSCI AC World HC Index	4%	40%	20%	8%	6%

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

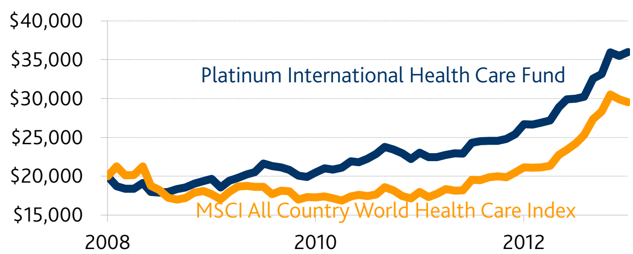
This quarter our European biotech holdings stepped up their performance. Swedish Medivir's HCV protease inhibitor (developed in alliance with Johnson & Johnson (JNJ)) is now available in Japan and recent data shows that the drug is a strong contender for future oral combination therapy. Shares advanced 50% this quarter.

Also advancing 50% this quarter was Swedish Orphan Biovitrum. It is becoming clear that its long acting haemophilia drug, as well as its portfolio of rare disease assets, have excellent commercial opportunities.

UK's Vectura is also starting to get traction with approval of Novartis' respiratory drugs in Japan and Europe. Vectura will receive royalties and is now ready to consider building its own commercial infrastructure (shares advanced almost 40% this quarter).

Value of $20,000 Invested Over Five Years

30 September 2008 to 30 September 2013



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

In the US, biotech continues to be of great interest; new product launches and good phase three results underpin this excitement. Incyte was the lead performer this quarter with pipeline data surprising investors (shares advanced 60% in the quarter).

We have been reducing our Gilead and JNJ positions and have been adding to our European holdings. New investments in Japan and Europe have also been added, albeit these positions are currently small while we continue our due diligence.

Commentary

Are US large biotechs expensive? This question is currently widely debated. To give you an idea, in the US an analyst provided a 15 year price earnings chart of large cap biotech to clients; 400 clients responded at length in an email within an hour. That is quite something for a specialist sector.

US biotechs have been on a roll for the past 12 months. High profile drug setbacks have been limited and if there has been one, a handful of other drugs made up for it by reporting good new data or another takeover was announced. Genomics or the deciphering of the human genome, is finally paying-off and targeted therapies are being approved more frequently. So-called "R&D productivity" levels have risen; analysts see that continuing and believe that failure rates are now lower. Consequently, analysts are comfortable to include phase 2 assets in their valuation, something that has not been done since the 2000 biotech bubble.

Analysts are a lot more aggressive on valuations, while pharma CEO's (not that they are known to take a lot of risk) believe the opposite. Despite all the noise in the press, pharma companies could not see a rationale to top Amgen's bid for Onyxx. Similarly, some biotechs looking for a buyer have so far not been successful despite some promising assets.

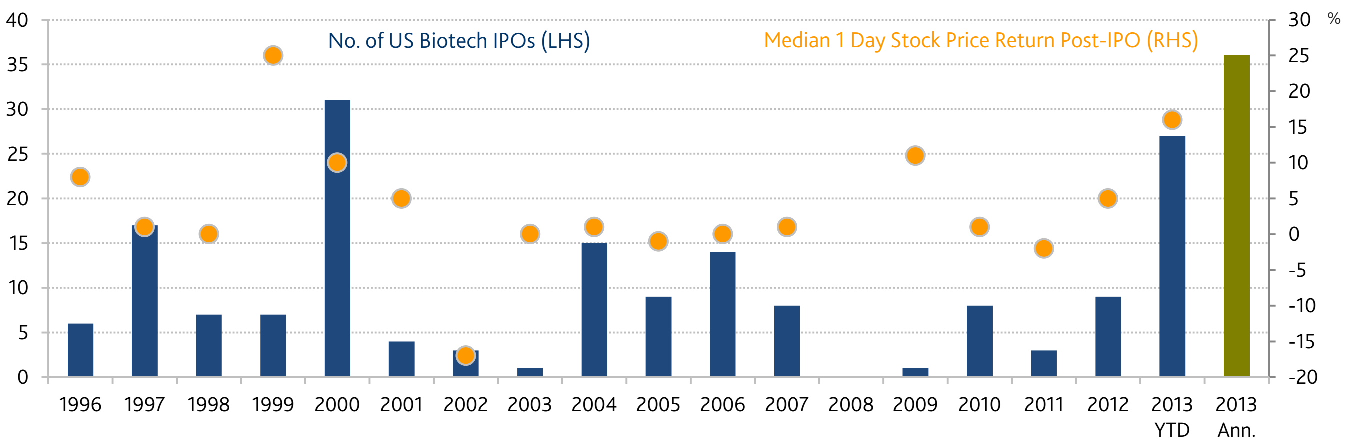
We tend to agree with the executives and are more cautious and selective in our investments.

Biotech valuations today definitely include more risk and reflect the optimism that is particularly present in the US. There is no doubt that US biotechs have done well; approval rates are at a 16 year high and the number of biotechs that independently sell products has been climbing.

However, complacency is dangerous and we should not ignore a couple of indicators that do point out that the sector as a whole is no longer cheap.

The US biotech IPO market has been absolutely stellar; the chart below shows a better result than in 2000.

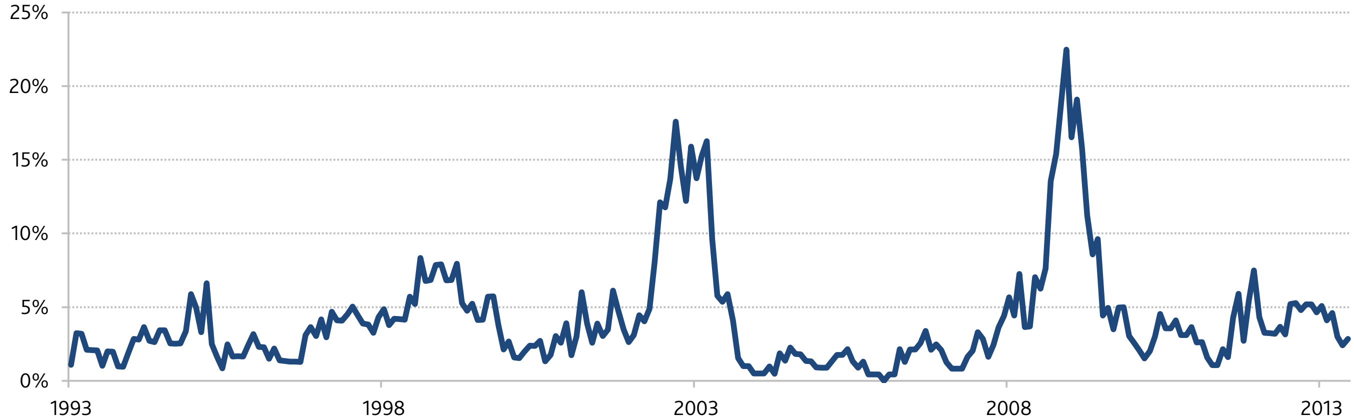
US Biotech IPOs



Source: International Strategy and Investment

The number of biotechs that are valued at below cash levels is also trending low historically (see chart below).

% of US Biotech Companies with Less than 1x Net Cash



Source: International Strategy and Investment

There is a lot of data analysis going on currently trying to evaluate if there is or isn't a bubble happening. This dicing/slicing alone indicates that better value should be found outside the US.

On our recent trip to Europe we visited a number of companies that have interesting businesses. They may not have the next blockbuster product that tends to attract analyst attention, but they do have a number of smaller products that can make a large impact and result in nice returns.

Outlook

Over the coming months a number of high profile drug launches will happen and in many ways conclude the transition to a new product cycle for several of the large biotechs. It is then up to the next layer of companies to maintain the optimism and produce solid late stage results. We have been adding to this part of the sector.

Outside the US, it is China that demands attention. Sales practices have come under immense scrutiny. Pharma sales in China by multinationals have been disrupted, however, once the clean-up has occurred a much more level playing field will prevail.

We remain selective in our investments and continue to pay close attention to valuation.

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$20,000 invested in the relevant Fund over five years from 30 September 2008 to 30 September 2013 relative to their Index (in A$) 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. Long invested position represents the exposure of physical holdings and long stock derivatives. The net invested position represents the exposure of physical holdings and both long and short derivatives.

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