Platinum International Health Care Fund

Bianca Ogden Portfolio Manager

Disposition of Assets

REGION	SEP 2015	JUN 2015
Europe	36%	33%
North America	25%	27%
Japan	3%	5%
Asia	3%	2%
Australia	1%	1%
Cash	32%	32%
Shorts	-1%	-1%

Source: Platinum. Refer to Note 3, page 4.

Performance

(compound pa, to 30 September 2015)

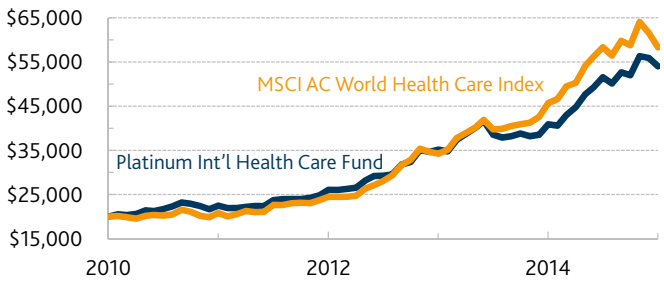
	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund	4%	32%	27%	22%	10%
MSCI AC World HC Index	-1%	28%	34%	24%	10%

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

This quarter was a reminder that health care in the US is a political battlefield. Drug pricing in particular remains an easy target. It is indeed a worthwhile target, but it is also a complex one that should not be looked at in isolation as it is only 10% of overall health care cost. However, combine the pricing debate with continued consolidation in the health care sector along with high valuations of biotech companies and things will start to become scary. In the past quarter, that was exactly what happened. We saw consolidation in the health insurance sector, we saw valuations continue to go higher for biotechs, and we had Hillary Clinton starting her health care campaign. This all led to widespread selling without company specific issues.

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



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

We had been cautious on the US for some time and have preferred European companies. We also maintained a significant cash position and shorted the US biotechs. Nevertheless, the Fund has not been immune to the decline.

For the quarter, new drug approvals continued at a steady pace with Novartis' heart failure drug now available and Sanofi/Regeneron's cholesterol lowering injection also coming to market for a limited patient group.

Sartorius, the German biomanufacturing supplier in the portfolio has continued to do very well. The company benefits from the increasing number of biologic drugs in pipelines and has firmly entrenched itself globally with more and more customers. In biotech, Ipsen and Lundbeck, two companies that had and still have to restructure, are making good progress, which was reflected in their recent results. In the US, Incyte has remained strong, mostly due to its pipeline assets being recognised. Caught up in the sell-off has been BioMarin. This company has been a strong performer for the year, but to us it has not run out of excitement. BioMarin has a very full pipeline and a good track record in getting its drug approved. The one thing that has yet to materialise is a profit, but we have no doubt that is soon to happen.

Commentary

Digital information will change the way we practise medicine. Big data will be used to guide diagnosis, develop a personalised treatment plan, monitor treatment, and in time prevent diseases and save money. Oncology is leading the way today with other diseases to follow suit using molecular information to guide physicians.

Cancer is an ideal disease for "omics" medicine as the number of genetic alterations is an ever growing list. No longer is a cancer diagnosed by its location, these days it is all about what mutation drives this uncontrolled growth. Drug developers and more and more physicians use multiple data sources to understand a tumour. Medical imaging details the size and location of the tumour as well as illustrates the activity (or non-activity) of a drug while a tumour biopsy drills deeper into the molecular make-up of the tumour, thus telling us what cells are involved and what mutations are present, and allowing us to analyse the tumour micro environment and the genetic profile of the patient. Taken together, imaging and biopsy give us a comprehensive dataset and allow what is known as "precision medicine". This all sounds rather straightforward, but in reality it is a complex web of data that needs to be deciphered and presented in a readable way.

The tools used to obtain molecular data have advanced rapidly in recent years. Next Generation Sequencing (NGS) in particular has made big strides and will have a significant influence on how we practise medicine in the next decade. While it took 13 years, 23 labs and US$3 billion to complete the Human Genome Project in 2001, today, sequencing equipment sequences a genome in hours for about US$1000. This has made NGS suitable for routine clinical life. However, the bottleneck now is the analytical/interpretational process that starts once the sequencer has finished. As some say, the sequencer is only as good as its software. A sequencer has a peculiar way of working. It does not read the whole genome in one line, but makes copies of many fragments (so-called "reads") of the genome which subsequently have to be mapped to the genome and assembled in the correct way. It is like making copies of a book, then shredding each copy with a different shredder and subsequently putting it all back together correctly. There is a vast ecosystem of mapping and assembling software available, but in order to use NGS routinely in clinical practice, standardisation has to happen – something that is ongoing.

Moving along the data analysis workflow, the next step is to make sense of the now mapped and assembled dataset. Somehow it has to be translated into a diagnosis and linked to patient. This means understanding what signalling pathways are misfiring, what drugs are available for that particular tumour profile and that particular patient. This process relies heavily on databases and algorithms that require continuous updating. Again, there are many choices available to the user and standardisation is in its infancy.

As one can see, while sequencing has become pretty quick, the "dry bench" analysis remains very complex. Routine analysis and interpretation of this vast amount of digital data and linking it to medical imaging, patient medical history as well as to the wider population (and other patients) is an enormous task. It requires not only significant computer power but also, more importantly, multidisciplinary teams of clinical and biological bioinformaticians, computational biologists, molecular pathologists, programmers, statisticians, biologists as well as physicians.

To us, these are very exciting times. We are at the very early stages of computation assisted medicine. Most pathologists or physicians are not trained to use the computational analysis tools required to manage such large datasets

produced by NGS, let alone make sense of it. However, we are seeing companies that are paving the way and we feel that some of them have hit the nail on the head and are well set up for the coming years. It is an exciting theme that follows what has happened in the lab. There we used to focus on one gene/mutation at a time; today we have the tools to study biological process in a parallel fashion and computational tools are now stepping up to the challenge.

Outlook

There is more caution in biotech today and the pricing debate in the US will always be a feature. We remain focused on our themes and making sure we understand the competitiveness of products, something that is key in today's world. Innovation has been very steady in the sector. Many new biotechs are well resourced, and we should see acquisitions to continue.

Notes

1. The investment returns are calculated using the relevant 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: 28 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

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist.)

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 30 September 2010 to 30 September 2015 relative to its benchmark index (in A$) 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

   The investment returns are calculated using the relevant 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 benchmark 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. Invested position represents the exposure of physical holdings and long stock derivatives.

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