Platinum International Health Care Fund

Bianca Elzinger Portfolio Manager

Disposition of Assets

REGION	DEC 2010	SEP 2010
North America	43%	39%
Europe	33%	35%
Japan	3%	2%
South America	2%	1%
Asia	1%	0%
Cash	18%	23%
Shorts	1%	1%

Source: Platinum

Performance and Changes to the Portfolio

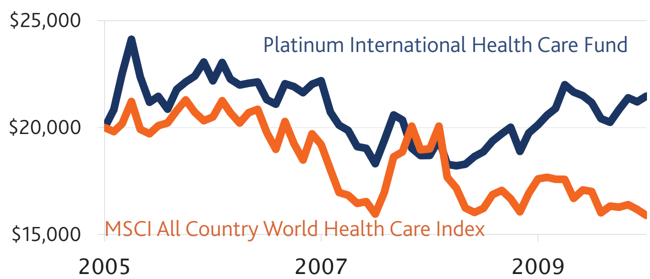
The Platinum International Health Care Fund rose 6.7% for the year while the MSCI World Health Care Index was down 9.7%. For the quarter, the Fund increased 3% while the Index declined by 2.4%.

Our biotech holdings lead the good performance of the Fund. Most notably, Caliper Life Sciences, Ariad, Medivir and Incyte all have doubled in value for the year.

Drug developers favour Caliper's imaging technology as it allows them to monitor in real-time the activity of new drugs in animals. This accelerates development time lines and allows early decision making.

Boston-based Ariad has demonstrated how valuable good medicinal chemistry expertise can be. Ariad has, in rapid time, developed a new blood cancer drug called Ponatinib. The drug works well in leukemia patients that have become resistant to the current standard of care. Ponatinib has now been fast tracked and could be approved as early as 2012.

Value of $20,000 Invested Over Five Years
31 December 2005 to 31 December 2010



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

Incyte, a company we wrote about 12 months ago has ticked all the boxes this year. The company secured Novartis as a partner and is now preparing for the launch of its first drug in late 2011.

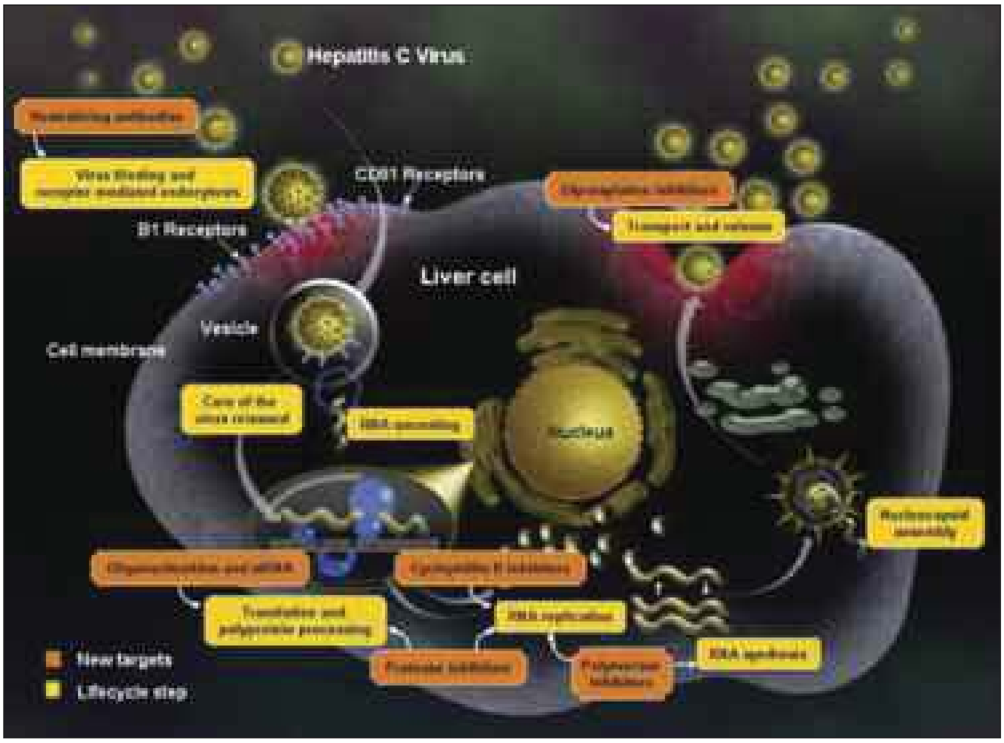
Pharma in general continues to trade sideways. This is in no way due to lack of progress. Dividends continue to rise, new drugs that do make a difference are gaining approval and acquisitions are also plentiful. Change does not come fast and it is just a matter of time for these myriad of changes to come to fruition.

During the quarter we started to reduce our position in Crucell as the company is in the process of being acquired by Johnson & Johnson. We also trimmed holdings that have done very well such as Caliper and Incyte. We used the money to add to companies that have lagged but have good growth prospects such as Brazilian diagnostic provider Fleury and US biotech Immunogen.

Commentary

Treatment of Hepatitis C infections will change in 2011. This is a significant event as for the first time drugs will be available that directly target the Hepatitis C Virus (HCV). Over time, these new drugs will replace the nasty regime of Interferon/Ribavirin treatment and will ultimately cure an HCV infection in more people, more rapidly.

This new wave of drugs attack the Hepatitis C Virus directly preventing the virus from completing its life cycle. However, each drug on its own encounters obstacles as the virus, over time, finds a new way to survive. This means different classes of drugs have to be combined to attack the virus from different angles (see picture below). To us this means several companies will be able to succeed and combination drugs will be essential.



Source: "Future Directions in Therapeutic Options" by David R. Nelson, MD

Several years ago we made HCV one of our themes and set out to find relevant investment opportunities. US biotech Vertex was the first one. This company has been developing the first HCV protease inhibitor together with Johnson & Johnson (JNJ has ex US/Japan rights). Both companies are currently preparing for launch in 2011. We invested in Vertex in 2004 but exited once the valuation became too high and Vertex featured in every major news magazine in the US.

In 2005 we continued on our HCV path and travelled to a tiny place outside Stockholm to meet with Medivir, a small unknown biotech. We were impressed by the scientific diligence of this small company. Medivir was rapidly developing the second generation HCV protease inhibitor as well as other classes of anti-HCV drugs. Interestingly, Johnson & Johnson also made the trip to Sweden and is today Medivir's global HCV partner. Medivir's drug has the advantage of being given once a day as opposed to the Vertex drug which needs to be taken every eight hours. Patient compliance as we know from HIV treatment is crucial to keep the virus at bay and prevent the development of resistance. Medivir continues to be part of the Fund.

This quarter we added another HCV contender to the portfolio: US biotech Gilead. This company has made its mark by combining different classes of anti-HIV drugs. This made life much easier for HIV patients as the 30 pills a day regime became one or two pills a day. Today about 70% of HIV patients globally take Gilead's drugs.

Virology is Gilead's strength and Tamiflu, the anti-flu drug, is another successful drug that came out of the Gilead labs. Roche obtained a global licence and pays royalties to Gilead.

Gilead had its fair share of setbacks. The company's conservative research and development approach is often at odds with the market which is overly worried about patent expirations starting in 2015 and simply wants Gilead to bolster their business with a quick acquisition. Gilead favours a slower pace and prefers smaller deals.

In terms of pipeline, Gilead is developing new HIV drugs with new approvals expected this year. This should allow the company to defend its position in HIV.

Leaving HIV aside, the more interesting aspect is Gilead's HCV pipeline. In 2004 we visited Gilead and the company was preparing to add HCV assets to its portfolio. Investor relations were reluctant to talk about it and we were worried that the company was missing out on a good opportunity. Far from it, today Gilead has accumulated a large arsenal of different classes of anti-HCV drugs and it is most likely that a combination pill will emerge.

At the current historic low valuation we are paying for cash flow from the HIV franchise, with only limited contribution from newly launched drugs while we get the HCV franchise for free. Gilead will continue to generate cash and has ample cash on its balance sheet.

Outlook

In 2011, the 'big, dreaded' patent cliff will arrive (by 2015 about US$80 billion of drug sales will no longer be protected by patents). First up, Pfizer's Lipitor, a drug that generates US$5.3 billion in US sales will lose patent protection in late 2011. This will be followed by Sanofi-Aventis/BMS Plavix in 2012 (sales of US$6.6 billion). Once the patent expirations have occurred the market will have far less to worry about and this gnawing fear will finally dissipate. The companies have been preparing for these events for some time and the market has already de-rated big pharma from their traditionally high ratings. Their typical ratings are now between eight and 11 times versus a market average company on 12 to 14 times.

The medtech industry is also undergoing a reinvention process, albeit at a slower pace. Valuations have declined and we are looking closely to buy quality companies at good prices as the market in some instances is overly negative about the lack of patients visiting doctors in the US or about pricing power in Asian markets.

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$20,000 invested in the relevant Fund over five years from 31 December 2005 to 31 December 2010 relative to their Index (in A$) 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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